Volume Title: Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-based Stock Options

Volume Author/Editor: Douglas L. Kruse, Richard B. Freeman and Joseph R. Blasi, editors

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-05695-3

Volume URL: http://www.nber.org/books/krus08-1

Conference Dates: October 6-7, 2006

Publication Date: April 2010

Chapter Title: Who Benefits from Shared Capitalism? The Social Stratification of Wealth and Power in Companies with Employee Ownership

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Chapter URL: http://www.nber.org/chapters/c8095

Chapter pages in book: (317 - 349)

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Who Benefits from Shared Capitalism?
The Social Stratification of Wealth and Power in Companies with Employee Ownership

Edward J. Carberry

10.1 Introduction

The spread of various forms of shared capitalism in the last three decades raises a number of interesting questions relating to the persistence of broader patterns of inequality in the United States. Since shared capitalism programs broaden corporate ownership and how financial returns of this ownership are distributed, as more employees gain access to these programs, what happens to existing patterns of stratification? Do shared capitalism programs mitigate or exacerbate existing patterns of income and wealth inequality? How do women and nonwhites, groups that traditionally experience these inequalities most powerfully, fare with respect to shared capitalism? Finally, do companies with these programs open up access to other forms of participation within organizations, such as access to positions of power, authority, and influence?

Such questions are important for corporate managers in companies with shared capitalism and companies considering these plans. If certain groups of employees experience inequities in terms of participating in these plans and the financial value they receive from these plans, these realities may detract from the potential that these plans offer for aligning employee behaviors with long-term corporate strategy and for creating organizational cultures of fairness. These questions are also relevant for organizational and management theory, and for our understanding of social inequality in the twenty-first century economy. Few studies have made connections between the vast literature on the causes, characteristics, and consequences of shared capitalism and the large body of sociological research that has examined the

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impact of gender, race, and ethnicity on such outcomes as income, wealth, and power in the workplace. This chapter takes a modest first step toward better understanding the connections between shared capitalism and social stratification.

More specifically, this chapter will examine how access to shared capitalism, returns from shared capitalism programs, and organizational power and authority within companies with shared capitalism are stratified by gender, race, ethnicity, and disability. The analysis is based on the NBER data set of over 40,000 employees in fourteen US companies with at least one type of shared capitalism program. This data set provides rich individual level information on participation in different shared capitalist programs, financial returns, and assets held in shared capitalist programs, and access to and perceptions of various types of power and authority.

Our knowledge of how different groups do with respect to these outcomes is severely limited, as existing research on shared capitalism has largely ignored these issues. Gaining a better understanding of these outcomes will provide a richer perspective on how the returns of shared capitalism are distributed and the potential effects of this distribution on the effectiveness of shared capitalism. A central motivation of this chapter is to take seriously the effect of social inequality on employee outcomes, and the possibility that social inequality can mitigate the relationship between shared capitalism and corporate performance. This chapter will not examine the causes of stratification within the sample companies, nor will it provide an in-depth analysis of the consequences of shared capitalist programs for long-term trends in inequality. Rather, the analysis will examine the concrete outcomes for different demographic groups and thus provide a detailed picture of the contours of stratification within shared capitalist companies. This chapter will also examine relationships between social stratification and employee attitudes toward their jobs, their employers, and shared capitalism itself. Ultimately, another goal of this chapter is to open up a research and theoretical space on which future studies of stratification and shared capitalism can build, both to better understand the long-term impacts of shared capitalism on broader patterns of social inequality and to expand the existing theoretical frameworks on social stratification to incorporate new forms of compensation and wealth generation in the twenty-first century economy.

After reviewing the existing literature on income inequality generally, this chapter will turn to the empirical analysis, which will first examine whether women and different minority groups face barriers to accessing shared capitalist programs. Next, the analysis will examine the effect of gender, race, ethnicity, and disability on the value of assets that employees acquire through shared capitalist programs. This chapter will then analyze how power and authority are distributed among different demographic groups within companies with shared capitalism. Finally, I will consider the impacts of social

stratification on employee attitudes and conclude with a discussion of some implications for management theory and practice.

Overall, the results reveal substantial disparities between the outcomes of women and men, nonwhite and whites, and employees with and without disabilities in terms of access to shared capitalism and the financial value provided by this participation. Although many of these effects appear to stem from existing mechanisms of occupational segregation, women and African Americans have lower plan values, even accounting for differences in education, occupation, and salary. This suggests that the structure and operation of certain forms of shared capitalism generates disparities beyond those created by extant mechanisms of stratification. The analysis provides a more mixed view of barriers to power and authority because formal structures of employee involvement appear to open up access to workplace power for some groups. The findings also reveal that, despite these disparities, access to shared capitalism and participation in employee involvement practices have positive effects on employee attitudes among all of the demographic groups.

10.2 The Persisting Significance of Gender, Race, and Ethnicity

Analyzing gaps in the economic and organizational outcomes for groups with different ascriptive statuses has been a central focus of a vast literature on social stratification in the last three decades (Morris and Western 1999). These analyses have focused primarily on gaps in earnings, but also on gaps in wealth, socioeconomic status, and power and authority within organizations. A common story emerges from this literature: in the United States, the postwar prosperity of the 1950s and 1960s reduced or held constant inequality levels within all demographic groups. Since the early 1970s, however, median earnings have declined for most groups, and in the 1980s, inequality accelerated rapidly, with the trend continuing through today (Morris and Western 1999). The lone exception is that since 1973, the real value of wages for women has increased across all income levels, while the real value of wages for most men has declined or remained constant. Women, however, continue to earn less than men. A recent analysis from the Economic Policy Institute (2006) indicates that college-educated women earn 24 percent less than college-educated men, that women are disproportionately represented in minimum wage jobs, and that women are less likely to earn high wages (10.1 percent of women versus 17.6 percent of men earn at least three times the poverty level wage).

Similarly, although African Americans experienced increases in the real value of their wages in the postwar period, this trend for the most part stopped in the mid-1970s, and earnings inequality has increased among African Americans in the last two decades (Morris and Western 1999). In addition, the median income for African Americans is only 55.6 percent that

of whites, and 29.4 percent of African American households, as compared to 13 percent of white households, have zero or negative net worth (Economic Policy Institute 2006). Other racial and ethnic groups have not been the subject of as much attention as women and African Americans, but the overall trends reflect similarly negative outcomes. In their analysis of census data from 1970, 1980, and 1990, Hirschman and Snipp (1999) found similarly negative effects of race/ethnicity on the socioeconomic status (a measure of occupational attainment) among African Americans, Hispanics, and Native Americans. However, the outcomes for Asian Americans were equal to or greater than that of whites. In terms of earnings, all racial and ethnic groups, except for Japanese Americans, earned less than whites, and the gaps were the largest for African Americans, Hispanics, and Native Americans.

Explaining the differential outcomes of men and women, and of whites and nonwhites, has been the topic of a large body of literature on social stratification. Reviewing this literature is beyond the scope of this chapter, but the evidence provides strong empirical support for the explanation that inequality is the result of women and minorities being consistently segregated into different labor markets than men and whites, and that these labor markets consist of primarily different (and lower-paying) occupations (Grusky 2001). The literature has also revealed that occupational segregation itself has been driven primarily by mechanisms of social closure that emanate from social conflict for jobs and access to jobs, differential access to educational opportunities that are crucial for occupational attainment, and cultural views that devalue female and nonwhite labor (Grusky 2001). In addition, women and African Americans have each faced their own unique set of barriers. For the former, the legacy of slavery, geographic segregation, and the decimation of the domestic manufacturing sector have cut many African Americans off from educational opportunities, social networks, and formal labor markets (Massey and Denton 1993; Wilson 1980). Although women have recently faced fewer barriers to education, they have been uniquely affected by the devaluation of their paid labor market skills and abilities and relegated to a primary role as unpaid, domestic labor (Grusky 2001).

Morris and Western (1999) have argued that despite the importance of these specific forces shaping access to economic opportunities for different groups, all groups have been significantly and similarly affected by some common recent trends. In the last two decades demographic forces, such as the rise of the baby boomers, the increase in the number of women entering the workforce, and an increase in the number of unskilled immigrants, have all increased the supply of available workers. These demographic changes have coincided with deindustrialization, globalization, the decline of unions, the rise of market-based employment relations (e.g., contract work, subcontracting, temporary employment), and the expansion of the service sector,

which provides lower paying jobs with fewer benefits for unskilled workers than the manufacturing jobs that they replaced.

The empirical evidence on inequality in the United States, therefore, presents a sobering account of the reality of equal access to economic opportunity. The persistence of inequality produces a range of negative economic and social consequences for all demographic groups, but serious solutions remain politically anathema at this stage. In the absence of new legislation to both mitigate these outcomes and address root causes, as well as large-scale cultural shifts in attitudes about the legitimacy and function of inequality, these patterns are likely to continue. In the last three decades, however, the diffusion of shared capitalism programs has opened up new avenues of economic opportunity since these programs provide a way for employees to access a source of income and wealth beyond their fixed pay; that is, through the ownership of stock and direct sharing of profits of their employing companies. Broadening capital ownership and profit sharing to groups earning less in the labor market may, therefore, help reduce income and wealth inequality. However, since access to these plans and the value that employees receive are often a direct function of income and occupation, shared capitalism may also exacerbate existing patterns of income inequality even as it increases the wealth of lower paid employees. Although the shared capitalism data analyzed in the chapter does not allow us to test these claims directly, it does allow us to gain a better understanding of inequality relating to participation in, and the value generated by, shared capitalism. I now turn to the evidence presented by the NBER data set of companies with shared capitalism.

10.3 Data and Methodology

This chapter uses the NBER data set of employees in fourteen firms with shared capitalism plans, described in the "Studying Shared Capitalism" section of the introduction to this volume. The focus of the statistical analyses is on examining the effect of being in one of six demographic categories (female, African American, Hispanic, Asian American, Native American, and having a disability) on a number of outcomes relating to access to shared capitalism, the financial value of shared capitalism, and access to organizational power. The analyses compare outcomes of women to men, each nonwhite group to whites, and employees with disabilities to those without disabilities. For example, when compared to men, are women more or less likely to participate in shared capitalism? Statistically, such comparisons are accomplished through the use of general linear regression models, and more specifically, logit and ordered logit models. In terms of reporting, the results for the logit and ordered logit models report coefficients rather than odds ratios. The only exception to the logit and ordered logit approach is in the analysis for financial value of shared capitalism, which uses ordinary

least squares (OLS) regression. For this analysis, all outcomes were coded so that higher values represent more positive outcomes. For example, the answers for the question, "*how much influence do you have in deciding how you do your job and organize your work?*" were "*1 = a lot, 2 = some, 3 = only a little, 4 = none.*" These responses were reversed coded for the analysis.

For all outcomes relating to shared capitalism and workplace power, I report results for two models. The first includes the demographic variables of interest and controls for firm level effects. The second also includes controls (coefficients unreported) for occupation, education, organizational tenure, fixed pay, wealth, and individual firms, all of which may have an impact on the outcomes. Of particular interest is modeling the effects of occupation. A large body of a sociological research has demonstrated that an important driver of income inequality is the consistent segregation of women and racial and ethnic minorities into different labor markets than men and whites, labor markets that consist of primarily different (and lower-paying) occupations (Grusky 2001). Such segregation may be important for shared capitalism outcomes if women and nonwhites are more likely to be in occupations that are less likely to participate in shared capitalism. For example, if the results indicate that women are less likely to participate in shared capitalism, but the models do not control for occupation, this effect may be due to the fact that women could be segregated into occupations that have restricted access to shared capitalism, rather than due to something unique about how organizations structure shared capitalism plans.

In fact, confirming the evidence from past research, there is strong evidence of occupational segregation by gender, race, ethnicity, and disability status among employees in the sample. Appendix table 10A.1 shows results from logit models predicting the effect of demographic characteristics on the likelihood of being in different occupations, controlling for firm level differences, among employees in the sample. All groups are less likely to be in management positions, which have better access to shared capitalism and workplace power. The same is true for professional/technical positions, with the exception of Asian Americans. Therefore, controlling for occupation will permit a more nuanced understanding of the potential sources of disparities between different groups; that is, do disparities stem from occupational segregation and/or the specific ways in which shared capitalism plans are structured? In considering the results that account for occupational segregation, however, it is important to recognize that the occupational categories are broad. Although more fine grained occupational categories would have permitted a more detailed analysis of the role of occupational segregation, the survey did not collect data on more detailed occupational categories. In addition to the aforementioned controls, for all outcomes, I examined the impact of these demographic statuses for younger employees (under forty). I also ran models that included interaction terms to examine the effect of gender and race/ethnicity together. I do not report results for these models

in the tables, but highlight the notable findings in the discussion. Finally, the results highlighted in the subsequent discussion focus on those effects that were statistically significant at least at the $p < .05$ level. The discussion of the results, to which this chapter now turns, is intended to illuminate overall trends and patterns and not discuss every finding in detail.

10.4 Descriptive Statistics

Before exploring the influence of gender, race, ethnicity, and disability on access to and returns from shared capitalism, table 10.1 provides summary information about the demographic characteristics of the sample, including participation rates in shared capitalism plans, values of shared capitalism assets, salary, and wealth.[1]

On all measures, men do better than women. Men have a higher rate of participation in employee ownership, profit sharing, and gain sharing, as well as higher average values for employee ownership assets, salary, and wealth. In terms of race and ethnicity, whites have the best outcomes on most measures, with the exception of Asian Americans, who have the highest average values for shared capitalism assets and salary, and the highest participation rates in gain-sharing plans. African Americans have the lowest value of shared capitalist assets and wealth, while Hispanics have the lowest average participation in shared capitalism and lowest average salaries. To gain a better understanding of the significance and magnitude of these differences, this chapter now turns to a deeper analysis of shared capitalism outcomes for various demographic groups.

In the discussion that follows, I focus on those results that are statistically significant. However, it is important to note that the number of employees within each demographic group may influence the statistical significance of some of the findings. For example, there are only 460 Native Americans in the sample, compared to almost 12,000 women. These sample sizes mean that the standard errors for women are lower, and this makes it easy to establish statistical significance. This also means that there will be little discussion of the outcomes of Native Americans. This does not necessarily mean that Native Americans do not experience disparities in various outcomes, but that statistically, it is difficult to establish relationships between being Native American and the outcomes of primary interest. Also, the sample sizes for African Americans, Hispanics, Asian Americans, and employees with disabilities are similar, so making comparisons of significant differences among these groups are relatively easy. Making comparisons between these groups and women, however, should be made with some caution.

1. Wealth is defined as total assets minus debts. More specifically, respondents were asked to report their wealth by including the "value of their house minus the mortgage, plus their vehicles, stocks and mutual funds, cash, checking accounts, retirement accounts including 401(k) and pension assets, and so forth."

Table 10.1 **Descriptive statistics on demography and shared capitalism**

Demographic group	Percent participating in any form of employee ownership	Mean value of stock held in all employee ownership plans	Percent eligible for profit sharing	Percent eligible for gain sharing	Mean salary	Mean wealth	Number of respondents
Women	62	$40,957	69	16	$45,895	$229,794	11,942
Men	67	$69,834	72	24	$62,805	$318,327	26,383
White	71	$62,006	77	21	$60,251	$322,965	28,698
African Americans	58	$20,735	55	13	$41,462	$118,580	1,739
Hispanics	39	$32,647	56	17	$37,983	$139,319	2,745
Asian Americans	61	$85,137	66	30	$63,634	$310,826	2,989
Native Americans	58	$41,784	56	13	$42,251	$197,618	460
Employees with disabilities	60	$54,820	66	17	$46,258	$220,727	2,256

10.5 Access to Shared Capitalist Programs

Do rates of participation in shared capitalism programs vary between different demographic groups? If rates do vary, to what extent and why? Table 10.2 shows the results of logit regression models that predict the effect of gender, race, ethnicity, and disability status on participation in the six primary types of shared capitalist programs that were measured by the NBER survey. The models examined participation rates only among those employees who were eligible for specific plans, not for the entire sample. For example, the models that examine participation rates for broad-based stock option plans only include employees in companies that had such plans, rather than for the entire sample. For each plan, the table reports the results from two models: the first includes only the demographic variables and controls for firm effects, and the second includes these variables along with additional controls for occupation, education, tenure, income, and wealth. Interpreting the logit coefficients requires a mathematical transformation known as exponentiation. This transformation yields a new number known as an odds ratio, which compares the odds that a woman will participate in an Employee Stock Ownership Plan (ESOP) to the odds that a man will participate in an ESOP. For example, the coefficient for women participating in ESOPs (without controls) is –.157, which when transformed yields an odds ratio of .85. Hence, women are 15 percent less likely to participate in ESOPs. Table 10.4 reports the results from table 10.2 in this more digestible form.

When examining the results for plan participation, it is essential to keep in mind the rules governing different forms of shared capitalism. ESOPs are governed by federal legislation that requires that most employees participate. For other types of shared capitalism plans, such as broad-based employee stock option plans (BBSOPs), profit sharing, and gain sharing, management decides who will participate among employees who are eligible. For still other forms of shared capitalism, such as employee stock purchase plans (ESPPs) and 401(k) plans, employees themselves decide whether or not they will participate. For these last two types of plans, the law requires that most employees are eligible (for example, ESPPs must be available to all full-time employees with two years of service), but employees ultimately have the choice of whether or not they will participate.

Table 10.2 indicates that women, African Americans, and employees with disabilities are less likely to participate in ESOPs. However, these effects all become statistically insignificant with controls of occupation, education, tenure, and fixed pay, indicating that the effects in these first models are likely the result of existing patterns of occupational segregation. Two other significant findings, unreported in table 10.2, are that both African American men and men with disabilities are less likely to participate in ESOPs. Any findings that reveal barriers to ESOP participation, however, are notable because of the strict legal requirements of ESOPs. Companies can, however, exclude

Table 10.2 **Predicting participation in shared capitalism**

	ESOP		BBSOP		ESPP		401(k)		Profit sharing		Gain sharing	
Female	–0.157	0.016	–0.125	0.236	–0.076	0.089	0.229	0.401	–0.111	0.028	–0.105	0.028
	(0.093)**	(0.142)	(0.109)	(0.140)**	(0.069)	(0.079)	(0.028)***	(0.045)***	(0.046)***	(0.068)	(0.092)	(0.137)
African American	–0.668	–0.297	–0.585	–0.300	–0.407	–0.142	–0.438	–0.338	–0.829	–0.556	–0.688	0.082
	(0.165)***	(0.253)	(0.273)**	(0.319)	(0.182)**	(0.198)	(0.058)***	(0.085)***	(0.092)***	(0.136)***	(0.190)***	(0.321)
Hispanic	–0.622	–0.236	–0.399	0.255	–0.147	0.188	–1.435	–0.008	–0.647	–0.407	–0.969	–0.340
	(0.224)***	(0.338)	(0.284)	(0.350)	(0.167)	(0.187)	(0.045)***	(0.092)	(0.079)***	(0.130)***	(0.132)***	(0.260)
Asian	0.221	0.309	–0.271	0.041	0.309	0.466	–1.011	0.077	–0.785	–0.420	–0.697	–0.418
	(0.391)	(0.498)	(0.236)	(0.295)	(0.111)***	(0.123)***	(0.044)***	(0.076)	(0.083)***	(0.127)***	(0.135)***	(0.197)**
Native American	–0.395	–0.551	–0.704	–0.307	–0.689	–0.697	–0.561	–0.004	0.071	0.094	–0.679	–0.187
	(0.454)	(0.619)	(0.454)	(0.484)	(0.359)**	(0.396)**	(0.106)***	(0.183)	(0.231)	(0.315)	(0.343)**	(0.681)
Disability	–0.271	–0.428	–0.309	–0.224	–0.113	0.039	–0.226	–0.184	0.135	0.080	0.148	0.229
	(0.176)	(0.266)	(0.239)	(0.281)	(0.156)	(0.176)	(0.053)***	(0.081)**	(0.099)	(0.144)	(0.189)	(0.281)
Fixed pay (log)		0.915		1.165		0.465		1.038		0.308		–0.032
		(0.178)***		(0.179)***		(0.092)***		(0.055)***		(0.087)***		(0.156)
Wealth (log)		0.198		0.113		0.184		0.181		0.097		0.195
		(0.045)***		(0.047)***		(0.027)***		(0.015)***		(0.023)***		(0.046)***
Firm effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Occupation, education, and tenure controls		Yes		Yes		Yes		Yes		Yes		Yes
Constant	0.905	–12.339	1.305	–11.425	–0.379	–8.005	0.761	–11.885	2.230	–2.805	1.956	–0.356
	(0.193)***	(1.997)***	(0.131)***	(1.945)***	(0.170)**	(1.006)***	(0.018)***	(0.578)***	(0.032)***	(0.924)***	(0.068)***	(1.640)
Observations	3,678	2,743	8,637	8,002	8,633	8,002	33,919	22,687	25,239	18,170	7,584	5,854

Note: Standard errors in parentheses.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

those employees who work part time, and these groups may be more likely to work part time.

The results for BBSOPs and ESPPs reveal few group disparities in participation rates. In fact, Asian Americans are more likely to participate in ESPPs, and women are more likely to receive stock options, even with controls for occupation, education, and tenure. In terms of the groups that do face barriers, although African Americans are less likely to receive stock options and participate in ESPPs, these effects disappear when controls are included. Men with disabilities, however, are less likely to receive stock options. For 401(k) plans, all groups except women are less likely to participate, but the effects for African Americans and employees with disabilities are the only ones that remain with controls for occupation and education. The results show that access is most restricted for profit-sharing plans, as African Americans, Hispanics, and Asian Americans are less likely to participate, even with controls. Although these same groups, plus Native Americans, are less likely to participate in gain-sharing plans, only the effects for Asian Americans remain with controls.

We can view the results according to which groups have the worst outcomes and how access to specific plans varies. Overall, African Americans and Asian Americans have the worst outcomes. In terms of specific plans, the most notable difference is that while there are disparities in participation rates for all plans, for ESOPs, stock options, and ESPPs, most of these appear to be due to existing patterns of occupational segregation. For participation in 401(k), profit-sharing, and gain-sharing plans, while there are similar disparities resulting from occupational segregation, the results also show that the ways in which companies structure and operate these plans generate additional disparities. One possible explanation lies in the ways in which decisions regarding participation are made. In profit-sharing and gain-sharing plans, for example, management decides who will participate. The disparities for virtually all nonwhites in the former may reflect subtle mechanisms of discrimination, social closure, or work devaluation in the decision-making process. However, the decisions regarding stock option plan participation are also with management, and only one group, men with disabilities, face restricted access, so this issue requires further research. In addition, African Americans and employees with disabilities are less likely to participate in 401(k) plans, but women are more likely to participate. With this form of shared capitalism, employees choose whether to participate. The lower levels of participation for these two groups may be related to their lower levels of pay and wealth; that is, employees in these two groups may be less willing and able to financially invest for the future given their lower current pay levels. However, other groups that face similar constraints, such as women and other minority groups, do not have similarly restricted access. The lower levels of participation in 401(k) plans for these groups may also reflect different knowledge levels about these plans or different attitudes toward retirement saving. Future research is necessary to determine

the types of specific mechanisms that shape stratification patterns in access. Whether participation is determined by management or employees may be one important factor, but may not be the only one.

In considering the results for participation in shared capitalist plans, stratification in participation rates appears to be shaped primarily by existing mechanisms of stratification, which place women and minorities into occupational and income groups for which access to shared capitalism is restricted. For example, employees in production jobs are less likely to participate in ESPPs and African Americans are more likely to be in production jobs. The exceptions to this are 401(k) plans, profit sharing, and gain sharing, in which some minorities face additional barriers beyond occupational status, education, and income level. Moreover, the results indicate that those employees that have higher incomes are more likely to participate in shared capitalism. To take a closer look at the wealth employees receive through these plans, I now turn to an analysis of the financial value that different groups receive through shared capitalism plans.

10.6 Financial Value of Shared Capitalism

Of those employees who participate in shared capitalist programs, do different groups receive different levels of returns? To answer this question, I examined the effect of being in different demographic groups on the value of shared capitalism. Table 10.3 shows the results of ordinary least squares (OLS) models that predict the natural logarithm of plan assets. I only included those employees who participated in these plans. To the extent that certain groups are less likely to participate in certain plans, therefore, the effects for all employees within these groups who work in these companies is likely understated. For example, African Americans are less likely to participate in profit-sharing plans. If those who participate in these plans have significantly negative values for profit sharing, the overall difference in value of profit sharing for African Americans—combining lower participation and lower values for those who do participate—would be large. Similar to the results for plan participation, the table reports results from two sets of models. The first includes just the demographic variables and firm-level dummies. The second include controls for occupation, education, fixed pay, and wealth and individual firms.

The models in table 10.3 regress the independent variables on the natural logarithm of the financial value held or received from the various forms of shared capitalism. I used log transformations to control for the effects of outliers. The specific dependent variables for which I used the logged transformation include:

- *ESOP:* approximate total value of company stock that employees hold in their ESOPs.

Table 10.3 **Predicting financial value of shared capitalism**

	ESOP		BBSOP		ESPP		401(k)		Profit sharing		Gain sharing	
Female	–0.368	–0.203	–0.298	–0.135	–0.206	–0.079	–0.990	–0.261	–0.537	–0.124	–0.586	–0.162
	(0.074)***	(0.066)***	(0.036)***	(0.031)***	(0.030)***	(0.029)***	(0.048)***	(0.045)***	(0.020)***	(0.016)***	(0.042)***	(0.030)***
African American	–0.544	–0.040	–0.466	–0.076	–0.361	–0.019	–1.568	–0.675	–0.549	–0.099	–0.789	–0.254
	(0.161)***	(0.144)	(0.111)***	(0.091)	(0.104)***	(0.094)	(0.114)***	(0.100)***	(0.053)***	(0.042)**	(0.117)***	(0.085)***
Hispanic	–0.526	–0.027	–0.318	–0.083	–0.208	–0.055	–0.893	–0.258	–0.672	0.026	–0.799	–0.090
	(0.243)**	(0.202)	(0.083)***	(0.068)	(0.070)***	(0.062)	(0.115)***	(0.099)***	(0.041)***	(0.037)	(0.081)***	(0.065)
Asian	–0.428	–0.178	–0.356	–0.049	–0.076	0.171	–0.607	–0.316	–0.291	0.032	–0.502	–0.047
	(0.296)	(0.258)	(0.043)***	(0.037)	(0.035)**	(0.033)***	(0.122)***	(0.107)***	(0.035)***	(0.027)	(0.055)***	(0.039)
Native American	–0.537	–0.192	–0.380	–0.336	0.040	0.188	–0.502	0.040	–0.526	–0.066	–0.285	–0.066
	(0.407)	(0.309)	(0.226)	(0.182)	(0.227)	(0.208)	(0.202)**	(0.167)	(0.097)***	(0.073)	(0.228)	(0.177)
Disability	0.211	0.170	–0.031	0.062	–0.143	–0.066	–0.287	–0.083	–0.298	–0.020	–0.457	–0.079
	(0.147)	(0.121)	(0.085)	(0.070)	(0.075)	(0.068)	(0.096)***	(0.081)	(0.042)***	(0.032)	(0.083)***	(0.059)
Fixed pay (log)		0.835		0.804		0.364		1.027		1.249		1.046
		(0.088)***		(0.036)***		(0.034)***		(0.057)***		(0.021)***		(0.034)***
Wealth (log)		0.204		0.365		0.269		0.316		0.100		0.132
		(0.024)***		(0.011)***		(0.010)***		(0.017)***		(0.006)***		(0.011)***
Firm effects		Yes		Yes		Yes		Yes		Yes		Yes
Occupation, education, and tenure controls		Yes		Yes		Yes		Yes		Yes		Yes
Constant	10.225	–2.402	10.845	–3.896	8.234	1.049	9.162	–6.682	7.521	–6.488	7.845	–4.328
	(0.205)***	(1.001)**	(0.055)***	(0.378)***	(0.078)***	(0.354)***	(0.028)***	(0.614)***	(0.014)***	(0.220)***	(0.034)***	(0.350)***
Observations	2,100	1,806	8,170	7,617	6,816	6,430	10,816	9,062	20,847	16,088	6,455	5,335
R^2	0.29	0.59	0.35	0.59	0.35	0.50	0.12	0.45	0.48	0.75	0.49	0.74

Notes: Results are based on ordinary least squares (OLS) regressions. The dependent variables are measured as logarithms. Standard errors in parentheses.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

- *BBSOP:* total stock option value, or, the sum of the money an employee would receive if they exercised all vested and unvested stock options at the time of the survey (net of purchase price) plus the value of the stock currently held by employees from exercising any stock options, plus the amount of money an employee has made from exercising any stock options, from the company in the past and selling the shares.
- *ESPPs:* total value of company stock an employee owns from purchases of stock made through an ESPP.
- *401(k):* total value of company stock an employee holds through a 401(k) plan.
- *Profit sharing:* value of payments an employee received in the previous year from a profit-sharing plan.
- *Gain sharing:* value of payments an employee received in the previous year based on work group or department performance.

The value of stock acquired in most shared capitalist plans is linked directly to salary, so we should find that stratification in these values reflects existing patterns of income stratification shown in table 10.1.

Since the results in table 10.3 are for ordinary least squares regressions, the coefficients are interpreted differently than the logit coefficients for plan participation reported in table 10.2. Table 10.4 shows the results of table 10.3 with the statistically significant coefficients transformed to percentage differentials, providing an easier way to assess the magnitudes of the disparities in the financial value of shared capitalism for different groups.

In comparison to the findings regarding access to shared capitalism, the results for financial value reveal more negative outcomes for women, nonwhites, and employees with disabilities. For ESOPs, women, African Americans, and Hispanics receive less value than their comparison groups (men and whites). For BBSOPs and ESPPs, these groups plus Asian Americans receive less value. For these three plans, once controls are added for occupation, education, tenure, fixed pay, and wealth, many of the significant effects drop out. This suggests that the lower plan values for these plans are mostly due to existing patterns of occupational segregation and educational attainment, as well as lower levels of fixed pay. A notable exception is women, who have significantly lower plan values than men, even when controlling for these variables. For 401(k) plans, profit sharing, and gain sharing, all groups have lower plan values in the models without controls for occupation, education, and income, and more of these effects remain with controls, relative to the three plans discussed first. For example, these effects remain for 401(k) plans for all groups except Native Americans and employees with disabilities. These effects also remain for women and African Americans for both profit-sharing and gain-sharing plans. Overall, women have the worst outcomes, followed by African Americans. Women receive lower financial values through all type of plans, even after controlling for occupation, education, and income.

Table 10.4 **Magnitudes of significant differences in shared capitalism**

	Basic differences (no controls)						Adjusted differences (w/controls)					
	ESOP	BBSOP	ESPP	401(k)	Profit sharing	Gain sharing	ESOP	BBSOP	ESPP	401(k)	Profit sharing	Gain sharing
Likelihood of participation												
Female	–15%			+25%						+49%		
African American	–51%	–57%	–43%	–35%						–29%		
Hispanic	–54%			–76%								
Asian	+25%		+36%	–64%					+60%			
Native American				–43%								
Disability				–20%						–17%		
Financial values if one participates												
Female	–31%	–26%	–19%	–63%	–42%	–44%	–18%	–13%	–8%	–23%	–12%	–15%
African American	–42%	–37%	–30%	–80%	–42%	–55%				–49%	–9%	–22%
Hispanic	–41%	–27%	–19%	–59%	–49%	–55%				–23%		
Asian		–30%	–7%	–46%	–25%	–39%			+19%	–27%		
Native American					–41%							
Disability					–26%	–37%						

Note: Based on coefficient estimates in tables 10.2 and 10.3.

What accounts for these findings? For some plans, the disparities in the financial value of shared capitalism for certain demographic groups are primarily due to the existing mechanisms of stratification, such as occupational segregation that leads to certain groups earning less income. For other plans, the way in which companies structure and operate them creates additional disparities. What specifically in the plan design and operation of 401(k), profit-sharing, and gain-sharing plans leads to these disparities? For plans in which management decides how much employees receive, these disparities could be the results of subtle forms of work devaluation and discrimination. For 401(k) plans, the disparities could stem from certain groups of employees having lower levels of discretionary income for investing in these plans. On the whole, the results suggest that shared capitalism plans may not be altering existing patterns of income and wealth stratification and could be exacerbating these gaps, since those employees with higher salaries are more likely to participate and receive more financial value through shared capitalism. This is not surprising given that the way in which these plans allocate value is based on some formula of pay. Testing the long-term impact of shared capitalism on existing patterns of income and wealth stratification more completely, however, will require comparing outcomes within a group of similar employees in similar organizations without shared capitalism, which is beyond the more modest scope of this chapter.

10.7 Access to Power and Authority

In addition to access to income and wealth, access to power and authority in the workplace are important dimensions of social stratification. Power and authority at the job, work group, department, and company level can be a source of status, prestige, and well-being, as well as a source of occupational and income attainment (Smith 2002). Brass (2002) defines power in the workplace as the opposite of dependency, deriving from control of critical resources on which others are dependent, along with the ability to recognize this position and act upon it. Power can be formal—residing in the hierarchy of positions—and informal, emanating from the myriad ways in which employees can control access to resources through structural positions in social networks and personality traits. In addition, over the last three decades, a number of companies have implemented various practices that broaden decision-making authority by providing employees with structured ways to have input into company, department, work group, and job level decisions (Osterman 2001).

In reviewing the research on racial and gender differences in the attainment of workplace authority, Smith (2002, 534) found that "men are more likely than women to have authority, and employer behaviors and organizational policies are more important than women's attitudes and behaviors in

explaining the gender gap in authority." For race and ethnicity, Smith (2002, 528–29) concludes that:

> "The literature documents important racial differences in the authority attainment of the two groups most studied—blacks and whites. Major conclusions point to systematic discriminatory practices in the processes that lead to authority and in the amount of financial returns that blacks receive for occupying positions of authority similar to those of whites."

Hence, the research on the stratification of power within the workplace has found similar outcomes and explanations for the outcomes of women and African Americans as the literature on income inequality. Do women, different racial and ethnic groups, and employees with disabilities face barriers to accessing power and authority in companies with shared capitalism, or do these groups fare better within these companies? These questions become more salient in light of numerous studies (NCEO 2006) that have found that shared capitalism has the most significant effect on corporate performance when it is combined with significant levels of employee involvement through practices such as work teams, offline employee committees that make decisions on such issues as quality and safety, and formal training programs. This suggests that shared capitalism companies may have a high incidence of power-sharing practices relating to employee involvement.

The NBER survey collected data on a number of measures of power and authority in the workplace, and hence provides a way to begin examining some of these issues. In this chapter, I focus on two sets of measures. The first set includes what might be called traditional measures of power: access to management and supervisory positions, intensity of supervision, promotions, and job security. The second set of measures incorporates the effects of practices associated with employee involvement: perceptions of influence on job, department, and company level decisions; access to self-directed work teams and offline employee committees; different forms of training; and job rotation. In the last two decades, there has been a gradual increase in the number of companies using these practices (Osterman 2001), and they represent alternative ways in which employees can exercise power and influence over decisions, co-workers, and the control of resources. Taken together, the results from both sets of measures of power and authority reveal some similar patterns of stratification as those relating to access to and the value of shared capitalism programs, but there are also some important differences.

10.8 Power and Authority: Management, Supervision, Promotions, and Job Security

Table 10.5 shows results for models that predict the effect of demographic characteristics on the likelihood of employees being managers. These models

Table 10.5 **Predicting access to management, freedom from supervision, number of promotions, and job security**

	Upper management	Middle management	Supervisor	Freedom from close supervision		Promotions		Job security	
Female	–0.388	–0.385	–0.402	0.021	0.034	–0.147	–0.084	0.006	0.016
	(0.111)***	(0.057)***	(0.033)***	(0.021)	(0.024)	(0.022)***	(0.026)***	(0.024)	(0.043)
African American	0.383	–0.211	–0.096	–0.597	–0.501	–0.417	–0.246	–0.670	–0.510
	(0.233)	(0.151)	(0.077)	(0.049)***	(0.053)***	(0.050)***	(0.056)***	(0.054)***	(0.087)***
Hispanic	0.318	–0.127	0.036	–1.036	–0.532	–0.286	0.187	–0.271	0.118
	(0.210)	(0.129)	(0.074)	(0.039)***	(0.055)***	(0.039)***	(0.056)***	(0.043)***	(0.085)
Asian	–1.048	–0.549	–0.466	–0.681	–0.590	–0.613	–0.081	–0.291	–0.198
	(0.242)***	(0.090)***	(0.060)***	(0.036)***	(0.046)***	(0.037)***	(0.046)**	(0.040)***	(0.068)***
Native American	0.134	0.047	–0.205	–0.159	0.166	–0.112	0.246	–0.234	–0.258
	(0.474)	(0.270)	(0.157)	(0.095)**	(0.107)	(0.093)	(0.111)**	(0.106)**	(0.228)
Disability	–0.313	–0.077	–0.328	–0.183	–0.152	–0.110	–0.159	–0.452	–0.206
	(0.236)	(0.119)	(0.071)***	(0.043)***	(0.048)***	(0.044)***	(0.051)***	(0.050)***	(0.104)**
Firm effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Occupation controls	No	No	No	No	Yes	No	Yes	No	Yes
Education and tenure controls	Yes	Yes	Yes	No	Yes	No	Yes	No	Yes
Constant	–2.746	–1.879	–0.327	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	(0.111)***	(0.070)***	(0.047)***	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Observations	28,470	27,729	28,603	34,180	28,204	34,030	28,198	32,383	11,319

Notes: Models for upper management, middle management, and supervisor are logit models. Models for intensity of supervision, promotions, and job security are ordered logit models. Standard errors in parentheses.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

include controls for education, tenure, and firm effects. Table 10.5 also shows results for models predicting employee perceptions of supervision, promotions, and job security. For each of the last three outcomes, table 10.5 shows the results from two models. The first includes controls for firm level effects, while the second adds controls for occupation, education, and tenure.

I used logit models to predict the likelihood of employees being in different managerial positions because the dependent variable was binary ("yes" or "no" response). I used ordered logit models to predict the likelihood of different responses on the questions regarding supervision, promotion, and job security because these dependent variables had more than two possible outcomes. Interpreting these coefficients requires a similar process as interpreting the logit coefficients in table 10.2. For example, the coefficient for African Americans and closeness of supervision is .501. Exponentiating this yields an odds ratio of 0.55, indicating that African Americans are 45 percent less likely, on average, to report higher scores on this question; that is, they are less likely to report freedom from close supervision.

The results from table 10.5 reveal that women and Asian Americans are less likely to be in management roles, and that nonwhite employees and employees with disabilities are more likely to report close supervision, fewer promotions, and less job security. For the last three findings, most of the results remain with controls for occupation, education, and tenure. Women, Asian Americans, and employees with disabilities have the worst outcomes. Women, for example, are less likely to be represented in all levels of management and are less likely to be promoted. Asian Americans are less likely to be in all levels of management, are more likely to be closely supervised, less likely to be promoted, and report lower job security. Employees with disabilities are less likely to be supervisors and have negative outcomes on all other measures. All groups except Hispanics are less likely to be promoted, and although all groups except women report less job security, this effect drops for Hispanics and Native Americans once controls for occupation, education, and tenure are included.

Overall, the results on this first set of measures of power and authority suggest that women, nonwhites, and employees with disabilities face significant barriers to accessing workplace power. These findings are not surprising because they reflect broader patterns in the stratification of workplace power and authority (Smith 2002). The results show that the mechanisms that lead to these outcomes also operate within shared capitalism companies. The findings raise some interesting questions. Why do women and Asian Americans face similar barriers to entering management, while other groups appear not to? Why do nonwhite employees and employees with disabilities have similarly negative outcomes regarding close supervision and job security? Why do women and most nonwhite employees receive fewer promotions? How do these groups fare with respect to other forms of power and authority? This chapter now turns to examining this last question.

10.9 Power and Authority: Employee Involvement in Decision Making and Training

The NBER survey also included a number of questions relating to other dimensions of power, including perceptions about the level of influence over different types of decisions, access to different types of teams and employee committees, access to different types of training, and participation in job rotation. These outcomes reflect different dimensions of power than those discussed in the previous section. Do women and minorities face similar barriers to power and authority through these practices and are employee involvement practices opening up new avenues of power for these groups? Table 10.6 reports results from models predicting the effect of gender, race, ethnicity, and disability on the likelihood of employees participating in these practices.

The first three models examine the likelihood that employees in different demographic groups reported having influence on, respectively, decisions at the company level, setting goals for their department or work group, and decisions about how to do their jobs. For each of these questions, respondents were asked how much involvement they had over decisions at these three different levels using a scale of 1 to 4, coded here as 1 = "none" and 4 = "a lot." I used ordered logit models to predict the effects of different demographic characteristics on different responses. The next three models examine the likelihood that employees in these different groups will be involved in, respectively, employee committees, self-directed teams, and efforts to develop innovative products or services. These dependent variables for these models were binary, and I therefore used logit models. Positive coefficients mean more involvement. The last three models examine the likelihood that employees in different demographic groups will receive formal training (yes or no), receive informal job training from peers (scale of 1 to 4, with 1 being "not at all" and 4 being "to a great extent"), and participate in job rotation efforts (scale of 1 to 3, with 1 being "never" and 3 being "frequently"). Hence, for the last three outcomes, positive coefficients mean that employees are more likely to be involved in these practices.

For each of the employee involvement outcomes, table 10.6 reports results from two models, the first with only firm level controls, and the second with controls for occupation, education, tenure, and individual firms. In the models without controls, women, African Americans, and employees with disabilities have the lowest levels of involvement. Women for example, are less likely to be involved in all practices, except for informal training and job rotation. African Americans are less likely to be involved in all practices except for company level decisions and job rotation. Employees with disabilities are less likely to be involved in all practices, except for job rotation. Some of the negative outcomes for these three groups disappear with controls for occupation, education, and tenure. Interestingly, with controls,

Table 10.6 **Predicting access to employee involvement practices**

A

	Involved in company level decisions		Involved in setting goals for department or work group		Involved in deciding how to organize work or do job		Involved in offline employee committees	
Female	–0.357	–0.207	–0.137	0.077	–0.046	0.054	–0.266	–0.115
	(0.023)***	(0.027)***	(0.022)***	(0.026)***	(0.023)**	(0.028)**	(0.026)***	(0.031)***
African American	–0.019	0.185	–0.243	0.012	–0.446	–0.169	–0.167	–0.017
	(0.053)	(0.059)***	(0.049)***	(0.055)	(0.050)***	(0.056)***	(0.059)***	(0.066)
Hispanic	0.199	0.484	0.167	0.307	–0.222	–0.032	–0.081	0.009
	(0.042)***	(0.059)***	(0.039)***	(0.057)***	(0.040)***	(0.060)	(0.046)**	(0.067)
Asian	0.286	0.237	–0.027	–0.114	–0.262	–0.467	–0.100	–0.130
	(0.039)***	(0.050)***	(0.037)	(0.048)***	(0.040)***	(0.052)***	(0.043)**	(0.056)**
Native American	0.056	0.092	–0.038	0.041	–0.253	0.039	–0.082	–0.043
	(0.100)	(0.120)	(0.094)	(0.111)	(0.095)***	(0.114)	(0.111)	(0.134)
Disability	–0.161	–0.067	–0.403	–0.220	–0.556	–0.330	–0.134	–0.050
	(0.047)***	(0.055)	(0.043)***	(0.050)***	(0.045)***	(0.052)***	(0.052)***	(0.060)
Firm effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Occupation, education, and tenure controls	No	Yes	No	Yes	No	Yes	No	Yes
Observations	34,034	28,103	34,062	28,119	34,154	28,161	33,822	27,943

(*continued*)

Table 10.6 (continued)

	B									
	Involved in self-directed work team		Involved in innovation efforts		Formal training		Informal training		Job rotation	
Female	–0.115	–0.065	–0.857	–0.629	–0.249	–0.123	0.120	0.127	0.481	0.395
	(0.030)***	(0.037)**	(0.041)***	(0.051)***	(0.025)***	(0.030)***	(0.023)***	(0.026)***	(0.027)***	(0.033)***
African American	–0.118	–0.128	–0.194	0.146	–0.104	0.173	–0.301	–0.302	0.572	0.264
	(0.064)**	(0.071)**	(0.082)***	(0.097)	(0.055)**	(0.062)***	(0.051)***	(0.055)***	(0.055)***	(0.062)***
Hispanic	0.134	0.289	–0.219	0.144	0.150	0.120	–0.088	–0.240	0.060	0.287
	(0.048)***	(0.077)***	(0.060)***	(0.098)	(0.044)***	(0.066)**	(0.040)**	(0.057)***	(0.045)	(0.070)***
Asian	0.296	0.756	0.110	0.271	0.203	–0.041	–0.359	–0.408	0.182	0.664
	(0.057)***	(0.095)***	(0.064)**	(0.109)***	(0.046)***	(0.059)	(0.038)***	(0.048)***	(0.052)***	(0.081)***
Native American	–0.027	0.008	–0.303	0.072	–0.192	–0.039	–0.225	–0.195	0.262	0.089
	(0.114)	(0.139)	(0.147)**	(0.185)	(0.105)**	(0.126)	(0.095)***	(0.111)**	(0.104)***	(0.127)
Disability	–0.152	–0.177	–0.323	–0.134	–0.307	–0.121	–0.343	–0.243	0.151	–0.050
	(0.057)***	(0.068)***	(0.073)***	(0.092)	(0.049)***	(0.058)**	(0.045)***	(0.051)***	(0.051)***	(0.061)
Firm effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Occupation, education, and tenure controls	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
Observations	21,161	15,773	20,945	15,492	34,008	28,049	34,116	28,130	24,228	18,543

Notes: Panel A: models for involvement in company decisions, setting goals for department, and how to organize work are ordered logit models. Models for offline committees are logit models. Standard errors in parentheses. Panel B: models for self-directed teams, innovation efforts, and formal training are logit models. Models for informal training and job rotation are ordered logit models.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

women are more likely to participate in department and job level decisions. This suggests that women are more likely to be in jobs that are not involved in such efforts, but that once this is controlled for, women are actually more likely to be involved. Similarly, once controls are added, African Americans are more likely to participate in company level decisions and formal training efforts. Also, the negative effects for department level decisions, offline committees, and innovation efforts disappear (but do not become positive) for African Americans with controls. For employees with disabilities, the negative effects disappear for involvement in company level decisions, employee committees, and innovation efforts.

Hispanics appear to have the best access to employee involvement practices. In the models with controls, they are more likely to participate in company and department level decisions, self-directed work teams, formal training, and job rotation. They are only less likely to participate in informal training efforts. Asian Americans, however, have mixed outcomes. For models with controls, they are more likely to participate in company level decisions, self-directed work teams, innovation efforts, and job rotation. They are, however, less likely to participate in departmental and job level decisions, employee committees, and informal training. For both Hispanics and Asian Americans, there are similar patterns for the models with and without controls for occupation, education, and tenure.

In terms of specific practices (with controls), there are some interesting patterns. Nonwhite employees are more likely to participate in company level decisions, but all nonwhite groups are also less likely to participate in job level decisions. For self-directed work teams, the results are mixed, as women, African Americans, and employees with disabilities are less likely to be involved, while Hispanics and Asians are more likely. Asian Americans are the only group more likely to participate in innovation efforts, and all groups except women are less likely to participate in informal training. Finally, all groups are more likely to participate in job rotation.

Overall, the results for the second set of power outcomes reveal that workplace practices relating to employee involvement appear to open up at least some avenues of power for women, nonwhites, and employees with disabilities. There are fewer disparities, in comparison to the first set of power measures, and all groups, except employees with disabilities, are actually more likely to participate in at least some practices. These findings raise a number of questions for future research. Why are certain groups less likely to participate in job level decisions and self-directed teams? Why are certain groups more likely to participate in company level decisions? Why do Hispanics have the best outcomes? Why do women and African Americans do the worst? Why are most groups less likely to receive informal training opportunities? Why are all groups more likely to participate in job rotation programs? One possible explanation for some of the findings discussed here is that formalized practices, such as self-directed teams, may require

equal access. In contrast, less formal practices, such as informal on-the-job training, may create opportunities for certain types of employees to be excluded. Only future research will be able to test the validity of these types of explanations. Gaining a better understanding of the workplace level mechanisms through which certain groups are excluded from different involvement practices is essential to understanding how access to power and authority within these companies is stratified. The results presented here provide a strong case that such mechanisms are in operation, but also that access to employee involvement practices appears to be open for more diverse types of employees.

10.10 Putting the Pieces Together

What do the overall patterns of stratification look like in shared capitalist companies? Table 10.7 summarizes the outcomes for different demographic groups. The percentages in each cell represent the percentages of statistically significant negative coefficients for all outcomes within each of the four sets of variables discussed before: access to shared capitalism, value of assets in shared capitalism, and the two sets of power measures. Negative coefficients represent disparities in outcomes between specific demographic groups and their comparison groups (men for women, whites for each nonwhite group, and employees without disabilities for employees with disabilities). The qualitative assessment is based on the following broad categories: few disparities (0 to 33 percent negative outcomes), some disparities (34 percent to 66 percent), and many disparities (67 percent to 100 percent). The table shows the overall patterns for all outcomes both with and without controls for occupation, education, and tenure.

This table provides a concise way to assess overall outcomes for women, racial and ethnic minorities, and employees with disabilities. For participation in shared capitalism plans, although all groups experience at least some disparities in participation rates, many of these attenuate in the models that include controls for education, occupation, fixed pay, and tenure. African Americans have the highest percentage of disparities both with and without controls. In terms of the financial value held in shared capitalism plans, most groups experience many disparities in outcomes, but these effects attenuate with controls, with the exception of women and African Americans. Hence, many of the disparities that employees in these groups experience, with respect to participating in shared capitalism and the financial value of shared capitalism, are the result of existing processes of occupational segregation and income inequality. African Americans and women, however, still have relatively high percentages of disparities, even with controls.

For the first set of power and authority outcomes (access to management, level of supervision, promotions, and job security), most groups experience a high percentage of disparities in the models without controls. The

Table 10.7 **Summary of disparities in shared capitalism and access to power**

	Disparities in participation in shared capitalism		Disparities in financial value of shared capitalism		Disparities in access to power: Management positions, supervision, promotions, job security		Disparities in access to power: Participation in employee involvement practices		Summary: Percentage of all outcomes with disparities	
	Without controls	With controls	Without controls	With controls	Without controls	With controls	Without controls	With controls	Without controls	With controls
Women	Some (40%)	None	Many (100%)	Many (100%)	Few (33%)	Many (67%)	Many (78%)	Some (56%)	Many (67%)	Some (56%)
African Americans	Many (100%)	Some (40%)	Many (100%)	Some (57%)	Many (100%)	Some (50%)	Many (78%)	Few (33%)	Many (92%)	Some (41%)
Hispanics	Some (60%)	Few (20%)	Many (100%)	Few (14%)	Many (100%)	Few (17%)	Some (44%)	Few (11%)	Many (71%)	Few (15%)
Asian Americans	Some (40%)	Few (20%)	Many (86%)	Few (14%)	Many (100%)	Many (100%)	Few (33%)	Some (44%)	Some (58%)	Some (48%)
Native Americans	Some (40%)	Few (20%)	Few (29%)	None	None	None	Some (44%)	Few (11%)	Some (42%)	Few (4%)
Employees with disability	Few (20%)	Few (20%)	Some (57%)	None	Many (100%)	Many (67%)	Many (89%)	Some (56%)	Some (63%)	Few (33%)

Note: Coding scheme: Few (0–33%), some (33%–66%), many (66%–100%).

presence of controls mitigates these disparities somewhat for African Americans and greatly for Hispanics, but they remain relatively high for women, Asian Americans, and employees with disabilities. Out of all the four sets of measures, this set of power and authority measures has the highest overall percentages of disparate outcomes. For access to power and authority via employee involvement practices, the percentages of disparities are lower, suggesting that these practices are opening up avenues of power for many demographic groups. There are, however, many disparities for women, African Americans, and employees with disabilities in the first sets of models. Some of the percentages drop when controls are added, suggesting that these disparities are the result of these groups being segregated into occupations that have lower levels of participation in these plans. Moreover, as previously noted, most groups have at least some positive outcomes on this second set of power measures. Women, Asian Americans, and employees with disabilities all have some disparities when controls are added.

The last column provides a summary measure for each group by listing the percentage of disparities for all twenty-seven measures. For models without controls, African Americans have the highest percentage of negative outcomes overall, followed by Hispanics, women, and employees with disabilities. For the models with controls, women have the highest percentage of disparities, followed by Asian Americans and African Americans. Although Asian Americans have few disparities for shared capitalist outcomes, they have a higher percentage of disparities with respect to workplace power, particularly with respect to the first set of measures. The pattern for employees with disabilities is similar. Hispanics have a low percentage of negative outcomes across all outcomes. Hence, women and African Americans experience the most disparities in outcomes relating to shared capitalism and access to power, followed by Asian Americans and employees with disabilities.

Overall, the number of disparities is lowest with respect to accessing shared capitalism and accessing power through employee involvement practices. However, the data reveal clear disparities in how shared capitalism plans allocate stock, profits, and other financial returns between different groups. The data also suggest that women, nonwhites, and employees with disabilities face more barriers to accessing traditional measures of power than new forms of power through employee involvement practices. Finally, although the results provide strong evidence that these disparities are importantly shaped by occupational segregation, the specific ways in which shared capitalism and workplace power are structured also have important effects on the stratification of outcomes for different demographic groups, independent of existing patterns of occupational segregation.

The results of this analysis provide a strong case that, with respect to access to shared capitalism and the value of assets held in these plans, the outcomes are very similar to existing patterns of inequality. To the extent

that the value of assets provided by shared capitalism is linked to existing compensation systems, which themselves are stratified by gender, race, ethnicity, and disability, this is not surprising. In addition, the ways in which companies structure certain types of plans leads to additional disparities. For 401(k) plans, for example, these disparities may stem from the fact that lower income groups, in which women and minorities are overrepresented, have relatively low levels of discretionary income to invest. The barriers that African Americans, Hispanics, and Asian Americans face to accessing profit sharing and gain sharing, however, is a pattern that needs to be researched in more detail, as it is the only form of nonvoluntary shared capitalism and management choosing who participates that seems to be shaped by mechanisms not operating at the occupational or income level. It is clear that the unequal access to these plans and the lower value of the assets held in these plans by women and African Americans serves as a reminder that these groups still face strong barriers to accessing economic opportunities relative to men and whites.

In terms of the stratification of organizational power in shared capitalist companies, the evidence is more mixed. Overall, the stratification of outcomes relating to organizational power reflects the generally restricted access to these forms of power that past research has found in samples of companies without shared capitalism (Smith 2002). Hence, companies with shared capitalism do not appear to be opening up access to these forms of power, and the mechanisms that create these inequalities are likely deeply entrenched. Women and all minority groups on the whole have restricted access to formal power through management positions and are more closely supervised. However, the evidence on access to influence over decision making, self-directed work teams, employee committees, training opportunities, and job rotation in these companies reveals that these practices appear to open up power for most groups.

Future research on stratification of organizational power, therefore, needs to closely examine the actual processes through which workplace innovations are implemented and become institutionalized, and how these interact with existing stratification mechanisms. A reasonable conjecture is that since employee involvement practices are usually implemented at a specific point in time, they are more visible, and hence the ability of management and other groups to exclude certain types of people may be more difficult. The social forces shaping access to power through management positions, individual autonomy, promotions, and job security are more complex and subtle, and hence may be more resilient to significant changes in the short term. Finally, an important question is whether participation rates in employee involvement practices within shared capitalism companies differs from rates in companies without shared capitalism. Our understanding of these anomalies and the overall trends will benefit greatly from future research that examines more deeply the direct ways in which existing mechanisms of stratification

shape shared capitalist outcomes, and how employee involvement practices alter the distribution of power and authority in the workplace and other levels of organizational decision making.

10.11 Employee Attitudes and Social Stratification

One could argue that the patterns of stratification discussed previously are not surprising, since they reflect similar stratification patterns in the wider economy and society. This certainly appears to be the case, and the question of whether or not such stratification is good, bad, or meaningless is beyond both the scope and intention of this chapter. More practically, what do these stratification outcomes mean for the effectiveness of shared capitalist programs, the quality of work life, and corporate performance? This question is important because companies spend significant resources designing, implementing, and maintaining different forms of shared capitalist programs and employee involvement practices. Often, companies adopt such practices with the hope that these innovations will help motivate employees to work harder and smarter, stay with the company longer, and align more closely with a company's strategy, things that will help the company perform better in the long term. Although this analysis is not intended to examine the effects of stratification, shared capitalism, or employee involvement on corporate economic performance, the NBER survey collected data on the attitudes of employees toward their jobs, their companies, and shared capitalism, outcomes that can have important effects on employee and corporate performance. This provides a unique opportunity to examine how shared capitalism and employee involvement practices influence workplace attitudes for different groups.

Other chapters in this book show that shared capitalism appears to affect important attitudes of employees in general. For example, chapter 4 finds that shared capitalism is positively related to perceived employee-management relations and other measures of company treatment of employees, while chapter 7 finds a positive relationship to performance-related attitudes such as intention to stay with the company, loyalty, willingness to work hard, and perceived job effort. It is possible, however, that these positive results across employees in general mask important variation among demographic groups. It is, therefore, valuable to explore such variation also as a way of testing the role of diversity in shared capitalism and the importance of extending shared capitalism to all employee groups.

Table 10.8 shows the results from models examining the impact of shared capitalism and employee involvement on three important workplace attitudes for men, women, whites, African Americans, Hispanics, Asian Americans, Native Americans, and employees with disabilities. The Shared Capitalism Index simply adds up the number of shared capitalism programs in which employees participate. The Participation Index adds up employee

Table 10.8 **Results from ordered logit models examining the effect of gender, race, ethnicity, and disability on attitudes**

	Men	Women	White	African American	Hispanic	Asian American	Native American	Disability
				Stay at job				
Shared capitalism index	0.084	0.072	0.06	0.111	0.047	0.125	0.218	0.149
	(0.010)***	(0.016)***	(0.009)***	(0.038)***	–0.04	(0.031)***	(0.081)***	(0.034)***
Participation index	0.253	0.25	0.279	0.204	0.177	0.166	0.165	0.215
	(0.008)***	(0.013)***	(0.008)***	(0.028)***	(0.031)***	(0.024)***	(0.061)***	(0.027)***
Observations	17,734	7,894	21,140	1,122	1,024	1,669	259	1,355
				Willingness to work hard				
Shared capitalism index	0.058	0.038	0.057	0.062	0.014	0.087	0.009	0.107
	(0.009)***	(0.014)***	(0.008)***	(0.036)**	–0.037	(0.031)***	–0.074	(0.031)***
Participation index	0.259	0.214	0.246	0.225	0.228	0.192	0.204	0.261
	(0.008)***	(0.011)***	(0.007)***	(0.027)***	(0.029)***	(0.025)***	(0.056)***	(0.025)***
Observations	17,759	7,904	21,161	1,126	1,026	1,673	261	1,359
				Loyalty to company				
Shared capitalism index	0.095	0.099	0.074	0.096	0.123	0.134	0.246	0.213
	(0.010)***	(0.015)***	(0.009)***	(0.038)***	(0.041)***	(0.033)***	(0.079)***	(0.033)***
Participation index	0.372	0.307	0.367	0.267	0.363	0.33	0.302	0.304
	(0.008)***	(0.012)***	(0.008)***	(0.028)***	(0.033)***	(0.027)***	(0.060)***	(0.026)***
Observations	17,494	7,787	20,863	1,100	1,002	1,651	258	1,332

Note: Standard errors in parentheses.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

responses on three measures of employee participation: the level of involvement in company level decisions, department or group level decisions, and job level decisions. The higher the value of this variable, the higher the level of overall involvement. The models also include controls (unreported) for occupation, education, tenure with the organization, and firm level effects. The models presented use ordered logit specifications, and positive coefficients represent more positive outcomes.

What is most striking about these results is their consistency. Both participation in shared capitalism and participation in decision making have a positive and statistically significant effect on all three attitudes for all groups. There are three exceptions to this pattern. Shared capitalism does not have a positive effect on the likelihood of Hispanics staying at their jobs or on their willingness to work harder, or on the willingness of Native Americans to work harder. In no cases, however, does either shared capitalism or participation in decision making have a negative impact on attitudes. Both shared capitalism and employee involvement have the strongest effects, in terms of the magnitude of the coefficients, on employees' loyalty to the company. The Employee Involvement Index also has stronger effects on all attitudes than the Shared Capitalism Index. Overall, the results provide strong evidence that both participation in shared capitalism and in various levels of decision making lead to improvements in attitudes for all groups, despite the fact that many of these groups do not do as well as others in terms of accessing shared capitalism and power.

10.12 Conclusion: Implications for Management

Although these results should be very interesting to social scientists, they also have important implications for management. First, since the value of assets acquired through shared capitalism is usually directly related to pay, it is not possible to assume that implementing shared capitalism creates instant equity and fairness. The reality is that the implementation and operation of these plans occurs within broader structures of stratification, and this reality may have negative consequences for the effectiveness of these plans if employees perceive their implementation and operation as unfair. Substantial disparities may be particularly important if certain demographic groups are concentrated in crucial occupational roles and experience disparities in access to and the benefits of shared capitalism. Ittner, Lambert, and Larcker (2003), for example, found that the performance effects of employee stock option grants were influenced by larger grants to certain key employees, such as technical employees, managers, and individual contributors who were nonexempt.

Furthermore, the results show that, beyond the traditional mechanisms of stratification, the ways in which certain types of shared capitalism (401(k) plans, profit sharing, and gain sharing) are designed and operated can create

further disparities in access and financial value for different groups. Hence, to the extent that the structures of specific forms of shared capitalism are flexible in terms of who gets access and the value of the financial benefits that flow from these plans, management has the leverage to design plans to address the disparities uncovered in this analysis. The bottom line is that these disparities most likely produce outcomes that individuals in diverse categories would experience as unfortunate. However, the results from the analysis of employee attitudes provides very strong evidence that higher levels of participation in shared capitalism and involvement in decision making can lead to better employee attitudes for all groups.

This chapter has revealed that the access that different demographic groups have to shared capitalism and the wealth these groups receive through shared capitalism is sometimes unequal. Future research is necessary to understand the long-term effects of shared capitalism on broader patterns of inequality in the United States. However, the results reveal that when offered to diverse groups, shared capitalism and progressive human resource policies, such as employee involvement in decision making, are associated with better attitudes. This suggests that companies with diverse employee populations can benefit from paying attention to traditional inequalities, and how shared capitalism is shaped by and, in turn, influences these inequalities. This type of inequality, if left unaddressed, can siphon off the potential positive effects of shared capitalism for individual employees and for the firm.

Appendix

Table 10A.1 **Results from logit models examining the effect of gender, race, ethnicity, and disability on the likelihood of being in particular occupations**

	Management	Professional/ technical	Sales	Administrative support	Production	Customer service
Women	–0.717	–0.283	–0.673	2.165	–0.021	1.153
	(0.042)***	(0.030)***	(0.061)***	(0.059)***	(0.028)	(0.072)***
African American	–0.848	–0.705	–0.474	–0.293	1.080	–0.319
	(0.118)***	(0.079)***	(0.157)***	(0.112)***	(0.068)***	(0.178)**
Hispanic	–0.363	–0.410	–0.156	–0.155	0.507	0.337
	(0.074)***	(0.057)***	(0.104)	(0.101)	(0.049)***	(0.109)***
Asian	–0.508	0.624	–0.653	–0.780	–0.106	0.188
	(0.068)***	(0.046)***	(0.092)***	(0.138)***	(0.054)**	(0.137)
Native American	–0.719	–0.765	–0.112	–0.113	0.897	–0.002
	(0.209)***	(0.156)***	(0.253)	(0.246)	(0.122)***	(0.312)
Disability	–0.730	–0.465	–0.577	–0.006	0.810	–0.167
	(0.098)***	(0.065)***	(0.142)***	(0.103)	(0.058)***	(0.156)
Constant	–1.796	–1.243	–2.917	–4.029	0.102	–3.697
	(0.025)***	(0.020)***	(0.038)***	(0.056)***	(0.018)***	(0.056)***
Observations	33,913	33,913	32,720	33,913	33,571	21,275

Note: Standard errors in parentheses.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

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