The effects of employee involvement on disparities in equity compensation

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ABSTRACT

Shared capitalism, equity compensation practices such as gainsharing and profit-sharing that tie worker compensation to firm and group performance (Freeman, Blasi and Kruse 2010, p.4), and self-managed teams, subgroups of employees who jointly direct their work, have become commonplace in many private-sector companies. The appeal of these practices is the potential to boost firm performance and worker well-being, especially when coupled. However, recent research found that not all employees benefit equally from shared capitalism. Women and minorities were less likely to participate in shared capitalism, and those who did, received fewer financial rewards (Carberry 2010). Some scholars contend that women and minorities may benefit from participation in self-managed teams because teams may provide more performance opportunities and access to power and resources (Heckscher 1988; Acker 2006; Smith-Doerr 2004). This study examines whether team participation and employee involvement reduce inequality in shared team capitalism. The results show that team participation and employee involvement were positively associated with participation in shared capitalism. However, both measures had only modest attenuating effect on the gender and racial inequality. Employee involvement and team participation had more pronounced attenuating effects on gender and racial differences in attitudes, particularly job satisfaction and loyalty to company.