

# Chapter 15

## Does Employee Ownership Reduce the Intention to Leave?

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### ABSTRACT

*Employee ownership is an important element to develop employees' sense of belonging to their company and to unite them around strategic objectives. This kind of involvement reflects the internal cohesion and pride that unite employees with their company. Aware of the development of employee ownership and in anticipation of the deep implications of this practice in France, this study proposes to examine the impact of employee ownership on work attitudes. We conducted a questionnaire-based survey among employees of the SBF 250. The collected responses were then analyzed by a structural equation method. The results indicated that direct employee ownership helps to significantly reduce intention to leave. Similarly, organizational commitment and job satisfaction correlate positively and significantly with the granting of shares to employees.*

### INTRODUCTION

Employee ownership (ES) is a practice that is firmly rooted in the customs of companies. According to statistics from the French Federation of Employee Shareholder Associations, participation of employees in the capital of their companies saw a decrease, a first time after the 2008 financial crisis.

In Europe, the number of employee shareholders decreased by 500,000 between 2011 and 2014<sup>1</sup>. An exception would be Great Britain which displays an 8% increase in the number of employee shareholders. This positive result is mainly due to an increase in tax incentives.

However, according to a statement from the European Federation of Employee Shareholders (2014), the figures for employee ownership still remain positive and reflect the growing interest of companies in employee savings devices.

Similarly, in a recent study by Debory Eres (2014), France stands out as the European leader in employee ownership. Indeed, 82% of ES devices are offered to all employees regardless of their hierarchical levels against only 48% in Europe.

DOI: 10.4018/978-1-5225-3917-9.ch015

In addition, France has a higher rate of democratization in the European continent; 47.2% of French employees hold shares in their companies against 28% in Europe.

Furthermore, the results of the 4<sup>th</sup> edition of the Hewitt barometer on trends in employee ownership between 2012 and 2013 confirm the positive perception of employee savings in France. However, the figures highlight a decline of about 13% in businesses' intention to offer ES projects between 2011 and 2012.

Among the reasons for this slight decline, these are the high taxation costs like the increase in the social package rate, which rose from 8% in 2011 to 20% in 2012. Moreover, employer's contribution rate increased from 14% to 30% and that of employee's contribution from 10% to 14%.

As such, the Macron's draft law incites employee participation by offering numerous tax breaks to make ES more attractive for employees and businesses.

The law also encourages free distribution of shares for small and medium enterprises and allows start-ups the allocation of warrants of company stock.

Despite this slight decline, this massive distribution of employee ownership reflects a mutual trust between businesses and employees in this mechanism. Indeed, employee ownership is seen as a factor of human development and crisis management.

However, studies on the effects of ES on attitudes focused mainly on the Anglo-Saxon context. Few studies have investigated the behavioral facet of employee ownership in France.

Most studies on the French context focused on analyzing the effects of ES on the economic and financial performance of the company. However, the studies of Caramelli (2006) and Vaughan-Whitehead (1992) stand out as they examined the implications of ES on organizational behavior.

Our study places attention on the employee level by examining the attitudinal reactions to ES plans.

Our study then focuses on the effects of ES on organizational behavior of employees. A questionnaire-based survey was conducted among employees of French companies listed on the SBF 250 index and which opened their capital to their employees.

Our paper is structured as follows: after presenting employee ownership as a mechanism that may encourage productive behavior, through a literature review we show the empirical effects of this mechanism on work attitudes.

Effects of employee ownership on work attitudes will be then examined through an empirical study conducted on the SBF 250 employees.

## **1. LITERATURE REVIEW**

It is proposed in the literature that employee ownership creates a context of trust that encourages positive work attitudes such as innovation and investment in specific human capital (Charreaux, 1998). Indeed, financial participation provides a sense of value that Tannenbaum (1983, p. 251) describes saying: "ownership is a very attractive concept ... being an owner values the person."

Being owner increases loyalty, commitment and satisfaction (Klein, 1987, p. 320). This special relationship vis-à-vis the company is likely to encourage employee initiatives and investments in human capital (Liebeskind, 2000).

Similarly, Blair et al. (2000) state that shares ownership is the fairest distribution of the fruits of SBF 250 growth of a company. This sharing of created wealth provides a sense of confidence and leads to the emergence of positive behaviors.

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