

RESEARCH BRIEF

Institute for the Study of
Employee Ownership and Profit Sharing

Employees' Low Pay Satisfaction: Possible Solutions?

Question: How satisfied are employees with their pay in ESOP firms, and what are the possible solutions to employees' low pay satisfaction?

Answer: In this group of nine ESOP firms, some employees report that they are paid an above-average wage, but some report they are paid a below-average wage. Those with a below-average wage are not satisfied with their pay. But ESOP, profit-sharing (PS), and gain-sharing (GS) help improve their pay satisfaction.

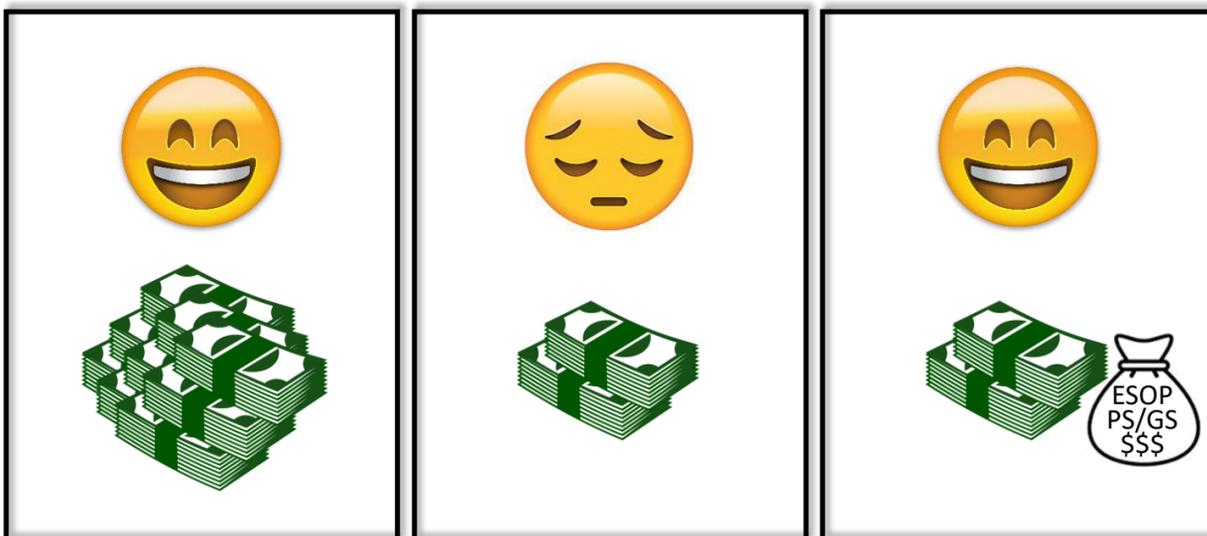


Dr. Kyoung Yong Kim

McCarthy Family VSB Associate
Professor, Department of
Management & Operations,
Villanova School of Business,
Villanova University

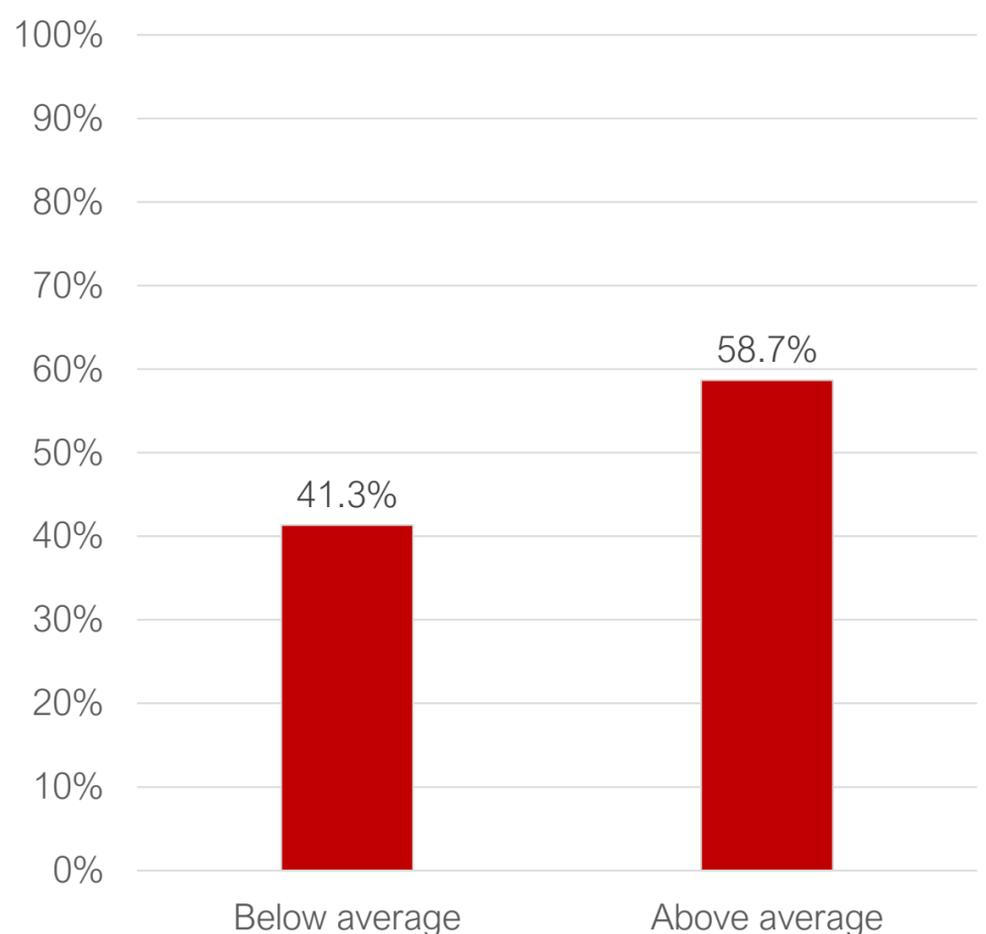
Louis O. Kelso Fellow
Institute for the Study of Employee
Ownership and Profit Sharing

This report is based on the National ESOP Survey administered in 2019-2021 for ESOP workers, supported by the Employee Ownership Foundation. The survey is a non-representative sample of 9 ESOP firms that offers insights on certain issues of interest.



Do ESOP workers report they are paid higher than the average for their experience in this sample of ESOP firms?

- While there are many reasons why employees work for their organizations, pay is a main reason, and it is what employees expect to receive in exchange for their time and effort that they spend in organizations.
- Then, *are employees in the ESOP firms paid higher than the average?*
- To answer this question, we surveyed approximately 1,000 ESOP workers in nine ESOP firms. These participants indicated whether their fixed annual wages were higher or lower than those of employees with similar experience.



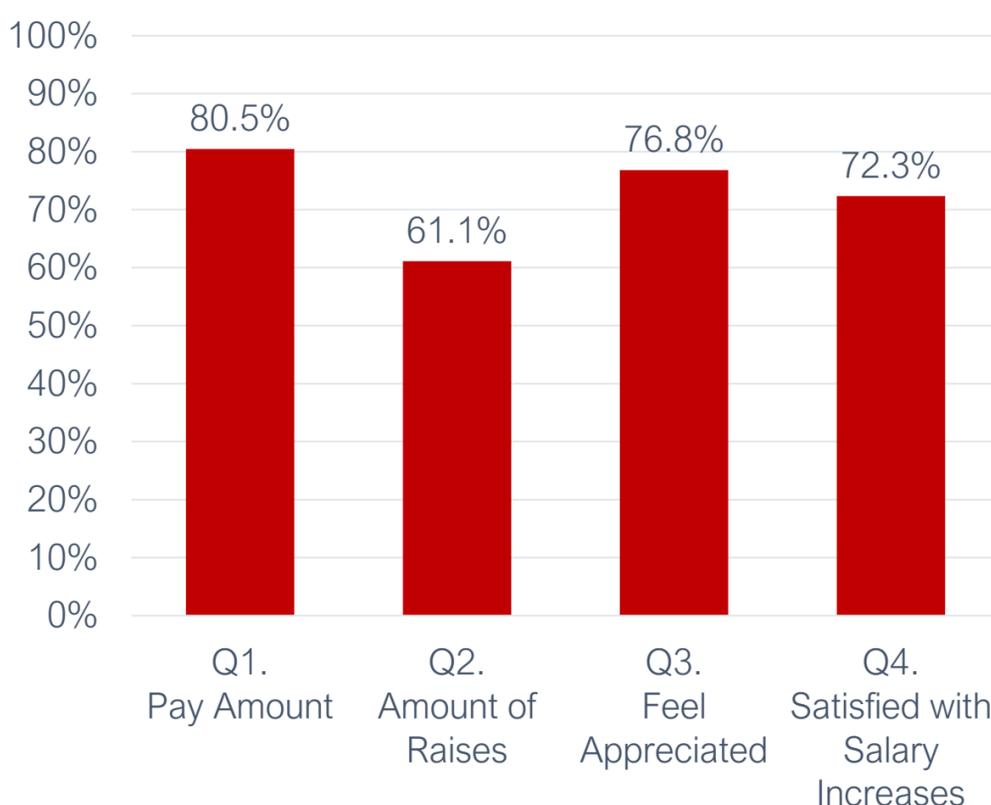
- According to these survey results, shown in the above chart, these ESOP firms tend to pay better than average firms, including non-ESOP firms. Specifically, 59% of ESOP workers report that they are paid higher than employees with similar experience, while 41% are paid lower than those with similar experience.

Question

- Now that a slight majority of ESOP workers are paid better than the average, *how much are they satisfied with their pay?*
- It is an important question because according to many research studies, when employees are dissatisfied with their pay, they are unlikely to complete their duties on time, look for ways to enhance the effectiveness of their work, help others in their team with work-related problems, and volunteer to do things for their team and the organization.

How satisfied are these ESOP workers with four aspects of their pay?

- ❑ This sample of ESOP workers rated the extent to which they are satisfied or dissatisfied with their current pay. Four aspects of pay are presented below.
- ❑ As the chart on the right shows, most ESOP workers are satisfied with the four aspects of their current pay.
- ❑ Specifically, 80% of ESOP workers are satisfied with the amount of pay (Q1), 61% with pay raise (Q2), and 72% with pay increases opportunities (Q4). 77% of ESOP workers agree that they are appreciated based on their pay (Q3).



The statements below describe various aspects of your pay. For each statement, decide how satisfied or dissatisfied you feel about your pay. Please indicate the degree of your agreement or disagreement with each statement.

Question 1

- I feel I am being paid a fair amount for the work I do.

Question 2

- Raises are substantial enough.

Question 3

- I am appreciated by the organization when I think about what they pay me.

Question 4

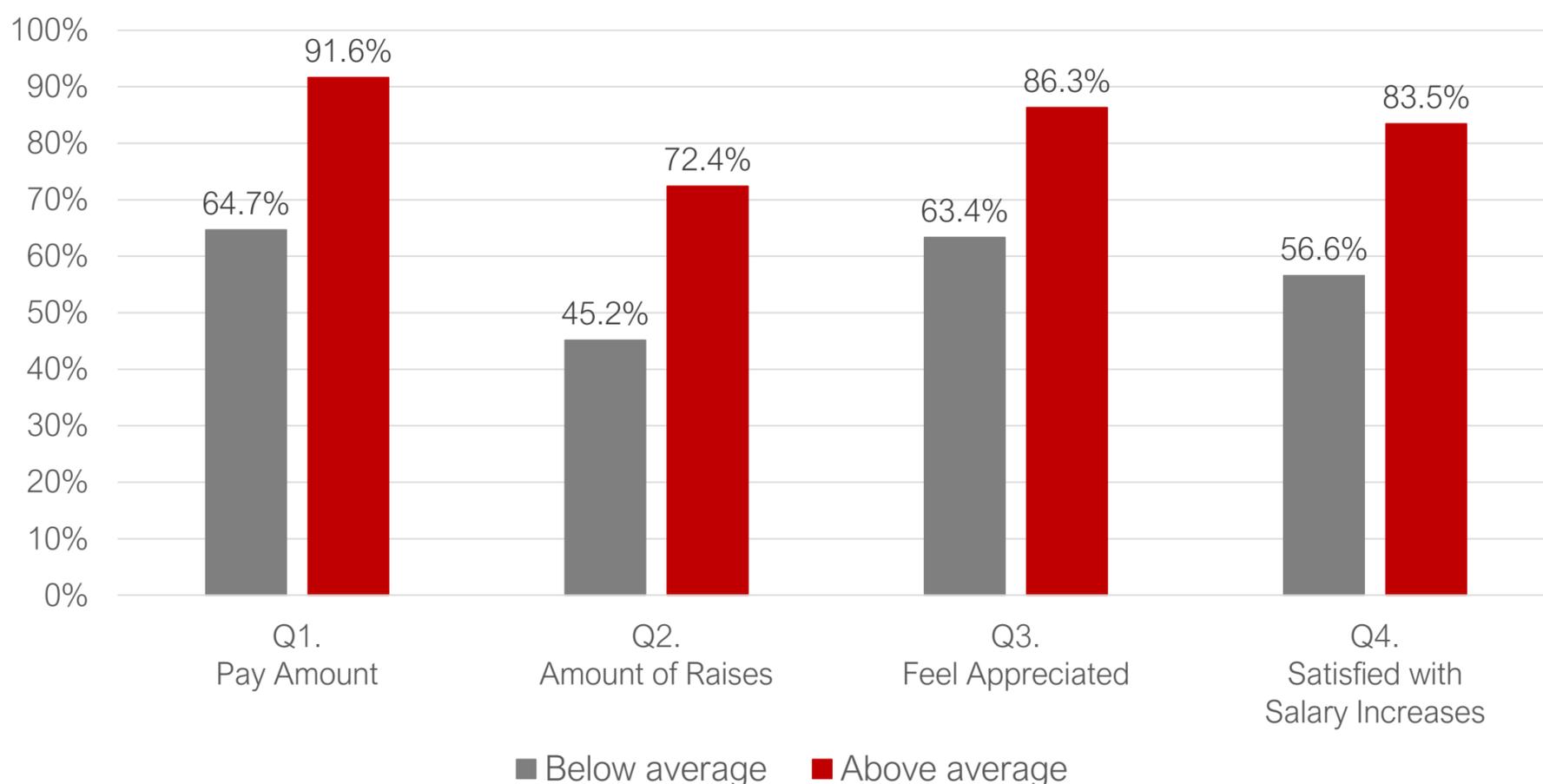
- I feel satisfied with my chances for salary increases.

- 1 = Disagree very much
- 2 = Disagree moderately
- 3 = Disagree slightly
- 4 = Agree slightly
- 5 = Agree moderately
- 6 = Agree very much

ESOP workers with a below-average pay are not satisfied with their pay.

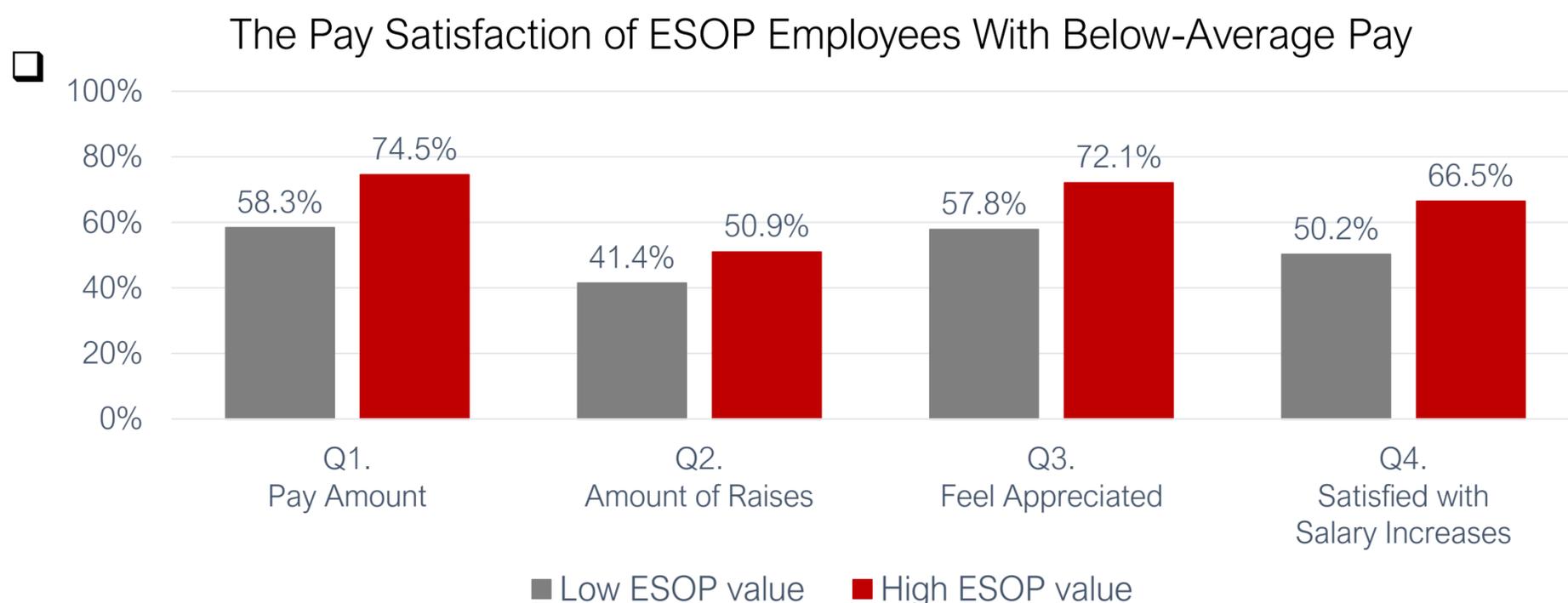
- ❑ Moderately high pay satisfaction in ESOP firms, however, is driven by those ESOP workers with an above-average pay.
- ❑ As the chart below reveals, ESOP workers with an above-average pay show higher satisfaction in all four dimensions of their pay than those with a below-average pay.
- ❑ A large percentage of ESOP workers with a below-average pay appear to be dissatisfied with their current pay.
- ❑ In terms of pay raises, most ESOP workers with below-average pay are dissatisfied with their pay raises.

Employee Pay Satisfaction

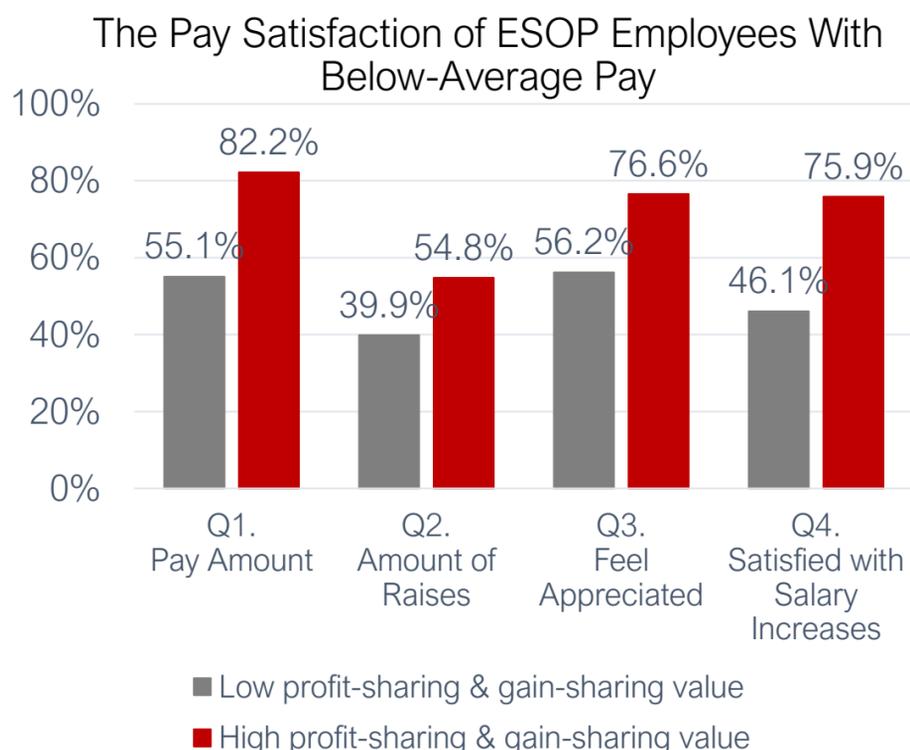


Employee stock ownership can be a remedy for low pay satisfaction. So can profit-sharing and gain-sharing.

- ❑ Even if pay is below average, when the total value in employees' ESOP accounts is high, ESOP workers have higher pay satisfaction than those with low value in their ESOP account. (See the chart below.)
- ❑ When both pay and ESOP value are low, ESOP workers tend to be dissatisfied with their pay.



- ❑ Profit-sharing and gain-sharing can be a solution too.
- ❑ As shown in the chart on the right, when profit-sharing and gain-sharing value is high, despite a below-average pay, most ESOP workers are satisfied with their pay.
- ❑ It appears that when profit-sharing and gain-sharing value is high, pay satisfaction in all four dimensions is higher than when ESOP value is high.



Conclusions

- While ESOP firms generally pay better than non-ESOP firms, a significant number of ESOP workers still receive a below-average pay, and they are dissatisfied with their pay.
 - This study finds that participating in the ESOP, profit-sharing, and gain-sharing can complement low pay such that high dollar value in profit-sharing, gain-sharing, and ESOP account boosts up low-wage employees' pay satisfaction.
- ➔ Therefore, when organizations do not have enough financial resources, and thus can't help providing a below-average pay for some of their employees, they can capitalize on the ESOP, profit-sharing, and gain-sharing. By doing so, the organizations can avoid many negative consequences (e.g., poor job performance & employee turnover) that stem from employees' low pay satisfaction. When employees' pay satisfaction is low regardless of their actual pay (whether above-average or below-average), ESOP, profit-sharing, and gain-sharing should be also useful in enhancing their pay satisfaction.
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