

Equity Pay Beyond the C-Suite

Discussion by

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- **Facts about equity pay – beyond the C-suite**

1. In 2019, 84% of US listed firms use equity pay for employees

- Large dispersion across firms
- Variation in initial value, granting policies and stock price dynamics (= risk and return)
- Large persistence in equity pay

2. Interpretation?

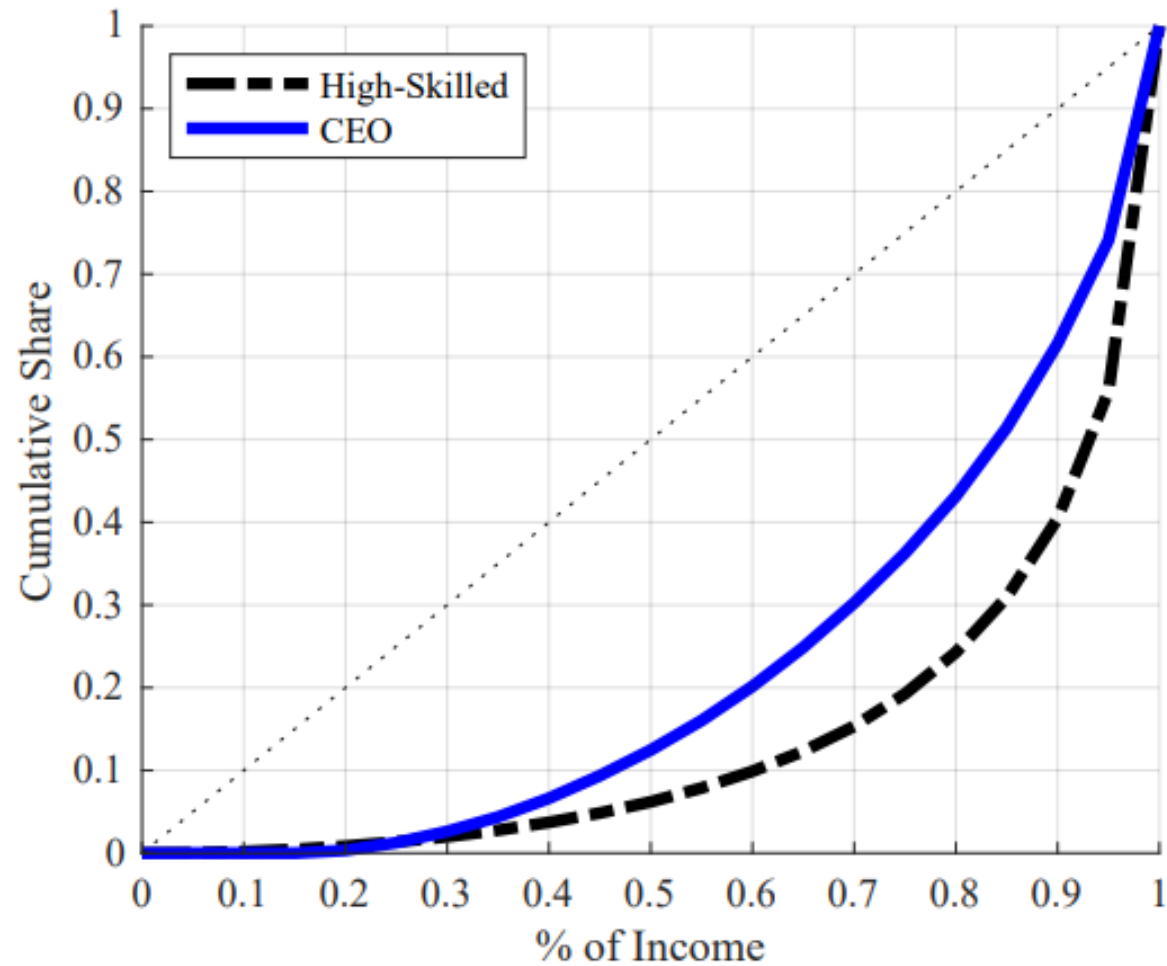
- Unclear why it is important to document the persistence in equity pay
- What do we learn about the importance of labor market conditions for firms?
- Policy recommendations?

Findings

Panel A: Median Equity Pay

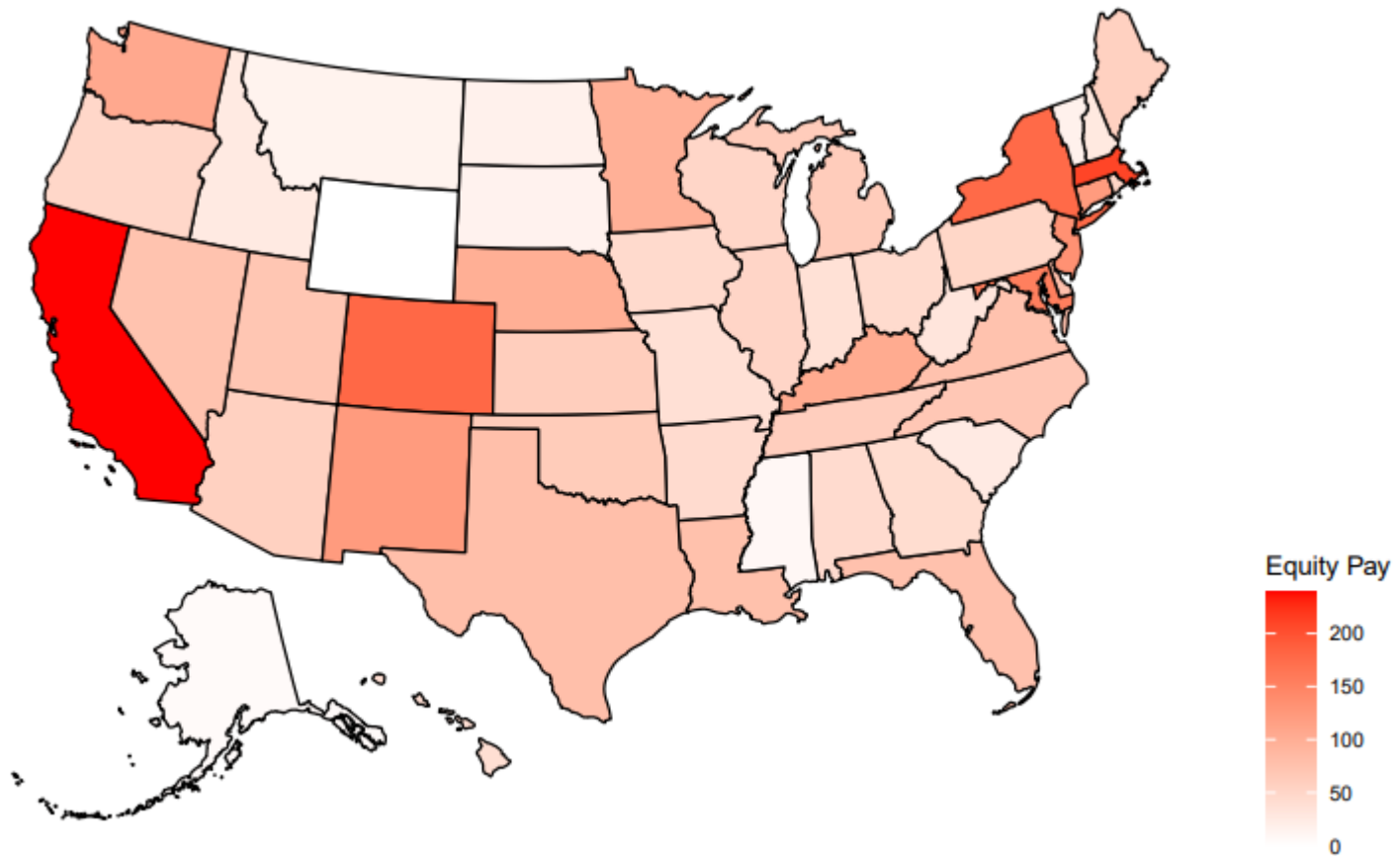


Findings – Lorenz curve



Findings

Figure 6: Average Equity Pay by State in 2019.



- **Main caveat**
 - Equity pay policies are observed at the firm level
 - Firm level policies are proxied by estimating equity pay per high skilled worker
 - Equity pay ($P_t N_t$) calculated by dividing \$ amount with the number of employees times the ratio of high skilled workers ... in the industry !
 - Industry decomposition might pick up variation due to how the authors estimate equity pay
 - Invalidates tests for persistence
- Ideally, one would like to have employee-employer matched data. Without one cannot answer a series of interesting questions
 - What is the effect of equity pay on employee turnover?
 - What is effect of equity pay on total compensation?

Table 6: Initial Value Regressions: Equity Pay $P_t N_t$

	Equity Pay						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Industry Average Equity Pay		1.609*** (15.408)				1.334*** (16.222)	
City Average Equity Pay				0.683*** (5.894)			0.395*** (5.113)
Cash-to-asset					294.140*** (6.629)	237.036*** (6.265)	300.907*** (6.430)
Cashflow-to-asset					-27.492 (-0.926)	27.617 (1.127)	-4.264 (-0.151)
Leverage					-1.957 (-0.160)	5.385 (0.469)	2.502 (0.166)
Dividend payer					-31.416*** (-4.596)	-13.368* (-1.877)	-23.917*** (-2.727)
Log Asset					22.900*** (6.347)	7.920*** (2.971)	20.512*** (4.766)
Observations	6729	6746	2706	5090	6746	6746	5090
R^2	0.162	0.099	0.325	0.042	0.089	0.128	0.097
Initial Year \times Industry FE	Yes	No	No	No	No	No	No
City \times Initial Year Fixed Effect	No	No	Yes	No	No	No	No

- **Wish list**
 - I would like to know more about the variation across industries
 - Workforce composition and equity pay
 - I would like to know more about the variation within industries
 - Competition for high-skilled workers
 - I would like to know more about the variation across geographies
 - Industry vs. local labor market conditions
 - I would like to know more about the variation within geographies
 - How important is competition in the local labor market?
 - VC backed IPOs vs. mature public companies
 - ...

Conclusion

- We know relatively little about equity pay beyond the C-suite
- Access to data at the employee level is important to advance our understanding
- Current study has access to firm level data which limits the research question and contribution
- Main suggestion is to expand the analysis beyond persistency tests
- I would like to know more about the firms that are using equity pay, the interaction with labor market conditions and how it affects capital structure decisions
- **Good luck with the paper !**