

## **Online Appendix**

### **Sorting Effects of Broad-Based Equity Compensation**

January 2022

\*This online appendix contains additional analyses and robustness tests. Unless otherwise noted, variables are as defined in the text in Appendix A.

**Table A1. Determinants of BBEP**

	(1)	(2)	(3)
	50%+ option/RSU or Disc. ESPP	50%+ option/RSU	Disc. ESPP
Employees	0.014 (0.53)	-0.001 (-0.03)	-0.008 (-0.20)
Log(MVE)	0.006 (0.28)	0.010 (0.38)	0.024 (0.82)
Returns	-0.030 (-0.62)	-0.030 (-0.60)	-0.067 (-1.30)
ROA	0.346 (1.22)	0.044 (0.15)	0.915** (2.29)
BTM	0.011 (0.36)	0.021 (0.79)	0.006 (0.15)
Leverage	-0.127 (-0.95)	0.006 (0.04)	-0.152 (-0.90)
Idiosyncratic volatility	0.868 (0.32)	0.349 (0.14)	1.237 (0.44)
R&D	1.129*** (2.95)	1.432*** (3.14)	1.379*** (2.59)
Fixed effects	Industry, year	Industry, year	Industry, year
Observations	767	767	767
R-squared	0.119	0.146	0.201

This table presents results from regressions of BBEP usage on the firm-level controls in our analyses, as well as idiosyncratic stock volatility and R&D expense. The sample includes firms that applied for the Great Place to Work Institute's "100 Best Companies to Work For" list during 2005-2010. All columns include industry and year fixed effects. T-statistics based on standard errors clustered by firm are in parentheses. \*, \*\*, and \*\*\* denote significance at 10%, 5%, and 1% levels, respectively.

**Table A2. Determinants of Credibility**

	(1)	(2)	(3)	(4)
	Credibility	Credibility	Credibility	Credibility
Age 34 & under		-0.028*** (-3.01)		-0.040*** (-6.13)
Age 35-44		-0.023*** (-3.17)		-0.027*** (-5.07)
Tenure under 2 years		0.212*** (17.37)		0.180*** (18.28)
Tenure 2-5 years		0.032*** (3.03)		0.013* (1.73)
Female		0.012 (1.51)		0.003 (0.53)
Nonwhite		-0.028*** (-3.68)		-0.033*** (-5.30)
Employees	-0.067*** (-4.31)	-0.061*** (-4.18)		
Log(MVE)	0.042*** (3.43)	0.041*** (3.64)		
Returns	0.017 (0.72)	0.019 (0.88)		
ROA	0.179 (0.94)	0.184 (1.02)		
BTM	-0.013 (-1.35)	-0.012 (-1.26)		
Leverage	-0.077 (-0.91)	-0.080 (-0.98)		
Fixed effects	Industry, year	Industry, year	Firm-year	Firm-year
Observations	222,478	217,140	222,478	217,140
R-squared	0.018	0.028	0.073	0.080

This table presents results from regressions of employees' perceptions of management credibility on the firm- and employee-level controls in our analyses. The sample includes employees who completed surveys collected as part of the application process for the Great Place to Work Institute's "100 Best Companies to Work For" list during 2005-2010. In columns 1 and 2, we include firm-level controls and industry and year fixed effects. In column 3 and 4, we include firm-year fixed effects. T-statistics based on standard errors clustered by firm are in parentheses. \*, \*\*, and \*\*\* denote significance at 10%, 5%, and 1% levels, respectively.

**Table A3. Logit and Probit Specifications**

<b>BBEP Measure:</b>	<i>Ordered Logit</i>	<i>Ordered Probit</i>
	<i>50%+ option/RSU or Disc. ESPP</i>	<i>50%+ option/RSU or Disc. ESPP</i>
	(1)	(2)
	Intention to Stay	Intention to Stay
Broad-based equity pay	-0.102*** (-2.87)	-0.053*** (-2.59)
Credibility	0.542*** (13.01)	0.309*** (13.99)
Identification	0.215*** (9.91)	0.120*** (10.42)
Satisfaction	1.688*** (72.00)	0.899*** (65.56)
<b>Broad-based equity pay x Credibility</b>	<b>0.136***</b> <b>(3.10)</b>	<b>0.076***</b> <b>(3.16)</b>
Broad-based equity pay x Identification	0.024 (0.90)	0.009 (0.63)
Broad-based equity pay x Satisfaction	-0.052* (-1.79)	-0.020 (-1.27)
Be myself	0.253*** (22.55)	0.137*** (22.26)
Firm controls	Yes	Yes
Fixed effects	Industry, year	Industry, year
Observations	222,478	222,478

Ordinary Least Squares (OLS) models impose a number of assumptions, many of which are recognized to be somewhat unrealistic in most applications in accounting or social science research more generally. However, the same is generally true of nonlinear models as well, and therefore it is not obvious which model is most appropriate (e.g., Angrist and Pischke, 2008). We choose to use OLS because many of our models include a large number of firm-year fixed effects, which nonlinear models do not handle well (e.g., Wooldridge, 2010).

To provide some comfort that our results are not a spurious artifact of our choice of estimation technique, in this table we present estimates of Eq. (1) using ordered logit and probit models rather than OLS. Because high-dimensional fixed effects can be problematic in these models, we estimate these models only with our industry and year fixed effect specification (i.e., we do not estimate specifications with firm-year fixed effects). The sample includes employees who completed surveys collected as part of the application process for the Great Place to Work Institute's "100 Best Companies to Work For" list during 2005-2010. T-statistics based on standard errors clustered by firm are in parentheses. \*, \*\*, and \*\*\* denote significance at 10%, 5%, and 1% levels, respectively.

**Table A4. Alternative Industry Classifications**

BBEP Measure:	50%+ option/RSU or Disc. ESPP	
	(1) Intention to Stay	(2) Intention to Stay
Broad-based equity pay	-0.025*** (-2.69)	-0.006 (-0.58)
Credibility	0.128*** (12.27)	0.134*** (13.73)
Identification	0.067*** (9.63)	0.069*** (10.51)
Satisfaction	0.634*** (85.30)	0.633*** (86.17)
<b>Broad-based equity pay x Credibility</b>	<b>0.044*** (3.72)</b>	<b>0.042*** (3.75)</b>
Broad-based equity pay x Identification	0.003 (0.40)	0.002 (0.19)
Broad-based equity pay x Satisfaction	0.007 (0.78)	0.007 (0.84)
Be myself	0.076*** (22.49)	0.076*** (22.50)
Firm controls	Yes	Yes
Fixed effects	SIC2, year	SIC3, year
Observations	222,478	222,478
R-squared	0.635	0.636

This table presents results from employee-level regressions of retention on an indicator for the use of broad-based equity compensation, a measure of management credibility, and the interaction. The sample includes employees who completed surveys collected as part of the application process for the Great Place to Work Institute's "100 Best Companies to Work For" list during 2005-2010. Column 1 includes SIC2 and year fixed effects, and column 2 includes SIC3 and year fixed effects. T-statistics based on standard errors clustered by firm are in parentheses. \*, \*\*, and \*\*\* denote significance at 10%, 5%, and 1% levels, respectively.

**Table A5. Matched Sample for 90%+ Stock Option Usage**

BBEP Measure:	90%+ option	
	(1) Intention to Stay	(2) Intention to Stay
Broad-based equity pay	-0.066*** (-3.69)	
Credibility	0.164*** (7.48)	0.173*** (8.45)
Identification	0.061*** (4.38)	0.062*** (4.52)
Satisfaction	0.654*** (39.34)	0.654*** (40.25)
<b>Broad-based equity pay x Credibility</b>	<b>0.091*** (2.88)</b>	<b>0.080** (2.52)</b>
Broad-based equity pay x Identification	0.013 (0.52)	0.013 (0.52)
Broad-based equity pay x Satisfaction	-0.036 (-1.39)	-0.038 (-1.42)
Be myself	0.068*** (6.67)	0.069*** (6.88)
Firm controls	Yes	N/A
Fixed effects	Industry, year	Firm-year
Observations	16,149	16,149
R-squared	0.655	0.657

This table presents results from employee-level regressions of retention on an indicator for firms at which at least 90% of employees receive stock options, a measure of management credibility, and the interaction. We estimate the models using a propensity score-matched sample based on the firm-level predictors from Table A1, excluding idiosyncratic volatility because we are unable to compute it for approximately 10% of our sample and excluding industry effects because there are certain industries in our sample with no variation in our 90%+ stock option measure. T-statistics based on standard errors clustered by firm are in parentheses. \*, \*\*, and \*\*\* denote significance at 10%, 5%, and 1% levels, respectively.

**Table A6. Factor Analysis**

BBEP Measure:	50%+ option/RSU or Disc. ESPP	
	(1) Intention to Stay	(2) Intention to Stay
Broad-based equity pay	-0.033*** (-3.34)	
Factor 1 (Credibility)	0.103*** (11.56)	0.112*** (14.78)
Factor 2 (Diversity Fairness)	0.060*** (11.87)	0.067*** (13.77)
Factor 3 (Pay Fairness)	0.122*** (16.42)	0.118*** (16.21)
Factor 4 (Respect)	0.125*** (14.90)	0.126*** (17.01)
Identification	0.051*** (6.86)	0.055*** (8.27)
Satisfaction	0.585*** (72.89)	0.579*** (78.47)
<b>Broad-based equity pay x Factor 1 (Credibility)</b>	<b>0.042*** (4.21)</b>	<b>0.037*** (4.16)</b>
<b>Broad-based equity pay x Factor 2 (Diversity Fairness)</b>	<b>-0.003 (-0.48)</b>	<b>-0.004 (-0.59)</b>
<b>Broad-based equity pay x Factor 3 (Pay Fairness)</b>	<b>0.003 (0.38)</b>	<b>0.008 (0.96)</b>
<b>Broad-based equity pay x Factor 4 (Respect)</b>	<b>-0.000 (-0.01)</b>	<b>0.001 (0.15)</b>
Broad-based equity pay x Identification	0.003 (0.37)	0.002 (0.23)
Broad-based equity pay x Satisfaction	0.007 (0.74)	0.012 (1.28)
Be myself	0.064*** (17.80)	0.061*** (17.42)
Firm controls	Yes	N/A
Fixed effects	Industry, year	Firm-year
Observations	195,504	195,504
R-squared	0.648	0.655

The GPTW survey identifies three dimensions of trust in management that the Trust Index is intended to capture: credibility, fairness, and respect. To assess the validity of this survey and the

dimensions that GPTW identifies, we conduct a factor analysis with orthogonal varimax rotation on the 38 questions that comprise the Trust Index. The analysis indicates that there are four factors with eigenvalues greater than one, which collectively explain approximately 95% of the total variance. The four factors are related to management's: 1) competence and ability (which we label "Credibility"); 2) fairness with respect to age, race, gender, etc. (which we label "Diversity Fairness"); 3) fairness with respect to compensation (which we label "Pay Fairness"); and 4) commitment to work-life balance (which we label "Respect"). These factors are closely related to the three dimensions identified in the GPTW survey—the primary distinction is that our factor analysis identifies two distinct dimensions of fairness, while the GPTW classification combines them into one.

To provide assurance that our findings are not an artifact of the specific categorizations that GPTW defines, in this table we present the results from estimating Eq. (1) using these four factors as our measures of employees' assessments of management, rather than the measures of Credibility, Fairness, and Respect defined by GPTW. T-statistics based on standard errors clustered by firm are in parentheses. \*, \*\*, and \*\*\* denote significance at 10%, 5%, and 1% levels, respectively.

**Table A7. Additional Robustness Tests***Panel A. CEO Turnover*

<b>BBEP Measure:</b>	<i>50%+ option/RSU or Disc. ESPP</i>
	(1)
	Intention to Stay
Broad-based equity pay	-0.039*** (-3.37)
Credibility	0.122*** (9.81)
Identification	0.065*** (7.98)
Satisfaction	0.636*** (77.20)
<b>Broad-based equity pay x Credibility</b>	<b>0.047*** (3.45)</b>
Broad-based equity pay x Identification	0.005 (0.49)
Broad-based equity pay x Satisfaction	0.007 (0.65)
Be myself	0.077*** (21.04)
CEO Turnover	0.016 (1.13)
Firm controls	Yes
Fixed effects	Industry, year
Observations	200,586
R-squared	0.630

Panel B. Excluding Credibility = 5

BBEP Measure:	50%+ option/RSU or Disc. ESPP	50%+ option/RSU or Disc. ESPP
	(1) Intention to Stay	(2) Intention to Stay
Broad-based equity pay	-0.031*** (-2.89)	
Credibility	0.116*** (9.37)	0.134*** (13.44)
Identification	0.066*** (8.71)	0.071*** (10.93)
Satisfaction	0.642*** (79.10)	0.630*** (79.65)
<b>Broad-based equity pay x Credibility</b>	<b>0.045*** (3.26)</b>	<b>0.037*** (3.28)</b>
Broad-based equity pay x Identification	0.005 (0.59)	0.003 (0.32)
Broad-based equity pay x Satisfaction	0.003 (0.29)	0.011 (1.21)
Be myself	0.076*** (21.92)	0.074*** (22.62)
Firm controls	Yes	N/A
Fixed effects	Industry, year	Firm-year
Observations	199,090	199,090
R-squared	0.616	0.625

Panel C. Trust-Size Interactions

BBEP Measure:	50%+ option/RSU or Disc. ESPP	50%+ option/RSU or Disc. ESPP
	(1) Intention to Stay	(2) Intention to Stay
Broad-based equity pay	-0.034*** (-3.15)	
Credibility	0.186*** (3.53)	0.202*** (4.39)
Identification	0.056 (1.52)	0.082*** (2.73)
Satisfaction	0.712*** (17.32)	0.674*** (17.78)
<b>Broad-based equity pay x Credibility</b>	<b>0.048*** (3.68)</b>	<b>0.040*** (3.81)</b>
Broad-based equity pay x Identification	0.005 (0.54)	0.003 (0.36)
Broad-based equity pay x Satisfaction	0.005 (0.49)	0.012 (1.41)
Be myself	0.077*** (22.33)	0.075*** (22.99)
Employees x Credibility	-0.009 (-1.38)	-0.013** (-2.05)
Employees x Identification	-0.004 (-0.92)	-0.004 (-1.02)
Employees x Satisfaction	0.001 (0.16)	0.004 (0.88)
Log(MVE) x Credibility	0.001 (0.31)	0.005 (1.11)
Log(MVE) x Identification	0.005* (1.71)	0.003 (0.99)
Log(MVE) x Satisfaction	-0.009** (-2.38)	-0.010*** (-2.70)
Firm controls / Main effects	Yes	N/A
Fixed effects	Industry, year	Firm-year
Observations	222,478	222,478
R-squared	0.636	0.643

*Panel D. Trust-Other Employee Benefit Interactions*

<b>BBEP Measure:</b>	<i>50%+ option/RSU or Disc. ESPP</i>	<i>50%+ option/RSU or Disc. ESPP</i>
	(1) Intention to Stay	(2) Intention to Stay
Broad-based equity pay	-0.033*** (-3.13)	
Credibility	0.123*** (8.06)	0.133*** (10.09)
Identification	0.066*** (6.91)	0.074*** (8.46)
Satisfaction	0.651*** (63.34)	0.640*** (64.22)
<b>Broad-based equity pay x Credibility</b>	<b>0.050*** (3.97)</b>	<b>0.042*** (3.98)</b>
Broad-based equity pay x Identification	0.006 (0.62)	0.004 (0.53)
Broad-based equity pay x Satisfaction	0.001 (0.15)	0.008 (0.96)
Be myself	0.077*** (21.95)	0.075*** (22.69)
Flexible Scheduling x Trust index	-0.005 (-0.36)	0.002 (0.22)
Flexible Scheduling x Identification	-0.002 (-0.18)	-0.005 (-0.59)
Flexible Scheduling x Satisfaction	-0.011 (-1.16)	-0.010 (-1.07)
On-site Child Care x Trust index	0.014 (1.06)	0.009 (0.74)
On-site Child Care x Identification	-0.003 (-0.35)	-0.006 (-0.75)
On-site Child Care x Satisfaction	-0.014 (-1.18)	-0.010 (-1.03)
Firm controls / Main effects	Yes	N/A
Fixed effects	Industry, year	Firm-year
Observations	220,033	220,033
R-squared	0.633	0.641

This table presents results from employee-level regressions of retention on an indicator for the use of broad-based equity compensation, a measure of management credibility, and the interaction. Panel A includes an additional control for CEO turnover. Panel B excludes observations for which *Credibility* equals 5. Panel C includes interactions between trust in management and firm size. Panel D includes interactions between credibility and other employee benefits. The sample includes employees who completed surveys collected as part of the application process for the Great Place to Work Institute's "100 Best Companies to Work For" list during 2005-2010. In column 1 of each panel, we include the same firm-level controls as in column 1 of Table 2 but do not tabulate the coefficients for brevity. In column 2 of panels B through D, we include firm-year fixed effects. T-statistics based on standard errors clustered by firm are in parentheses. \*, \*\*, and \*\*\* denote significance at 10%, 5%, and 1% levels, respectively.