

Non-executive employee ownership and corporate investment efficiency: Evidence from Europe

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Abstract

We investigate the effect of non-executive employee ownership (EO) on the efficiency of investment decisions for a sample of non-financial European firms over the period 2006-2017. We find a positive (negative) association between EO and investment for firms that are more likely to under-invest (over-invest). In addition, we find the impact of EO on under- and over-investment to be more pronounced for firms with lower analyst following and blockholding ownership. Overall, our findings suggest that employee ownership increases firm-level investment efficiency through two channels: reduced information asymmetry and improved monitoring of management.

Keywords: Investment Efficiency; Employee Ownership; Rank and File Employees.