

The Performance Effects of Profit-Sharing: Subjective and Objective Measures Compared

Panu Kalmi, Helsinki School of Economics and Academy of Finland
Christina Sweins, Helsinki University of Technology

Abstract: In this paper we contrast the subjective and objective measures of enterprise performance of profit-sharing, using empirical evidence from Finnish personnel funds. Our objective measures consist of financial statements data. We compare the productivity of firms with personnel funds to those firms not having funds and thereby estimate the productivity effects of profit-sharing. Second, we use subjective data on the effects of personnel fund to enterprise performance that has been collected by employee survey. By contrasting these two measures, we seek to analyze the validity of subjective performance measures. Thereafter we regress these performance measures on a number of explanatory variables that potentially may explain the performance relationship, such as whether the fund invests in the shares of the sponsoring firm, what is the degree of employee knowledge on the funds operations, membership size etc. While there has been a lot of literature analyzing the link of profit-sharing and productivity using objective data and some work using subjective data, ours is among the first contributions that explicitly contrast these two types of measures.