

**FIN19**

## **Unionization and Non-executive Employee Stock Options: Empirical Evidence**

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### **Abstract**

We investigate the effects of unionization on stock options granted to non-executive employees. Adopting a regression discontinuity design, we find that employees receive more stock options after the union election wins. The positive association is more pronounced when unions have more bargaining power and when free-riding problems are less severe. Further, we provide evidence that employees receive more stock options when CEOs are entrenched. Finally, we show that stock options provide risk-taking incentives to non-executive employees. Our work provides a potential explanation for the union wage premium puzzle that unions bargain for stock options to increase non-executive employees' total compensation.

### **Conference Track**

Finance and Investment