Altruistic Capital:

Who Owns It and Who Earns Its Returns?

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Main finding

A prosocial workforce is a productive but **worker-owned** intangible: it causally increases the **detection of corporate misconduct**, yet earns shareholders **no return**, because the workers who embody it accept no wage discount and **exit when the firm becomes distressed**.

Question & Measure

Trillions are allocated under ESG mandates that treat a firm's social character as an asset *shareholders own*. But that character lives in employees, and **people are not owned**.

When a workforce is prosocial, who owns that asset, and who earns its returns?

Altruistic capital = share of a firm's employees whose professional profile discloses volunteering:

$$A_{i,t} = \frac{\#\ \text{altruistic-type employees}_{i,t}}{\#\ \text{employees}_{i,t}}$$

- Type is a **fixed personal trait** ⇒ all firm-year variation comes from workers *entering and leaving*.
- **3,156** U.S. public firms, **40,559** firm-years, 1999–2023; résumé panel + Compustat/CRSP, RepRisk, MSCI ESG, earnings calls, Dewey postings, Social Capital Atlas. Mean $A = 0.26$ (SD 0.15).

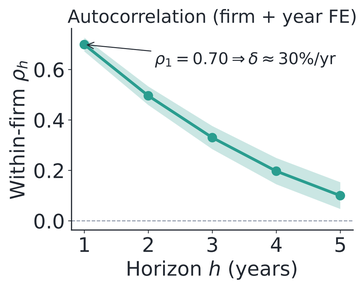
1 It is a real, firm-level asset

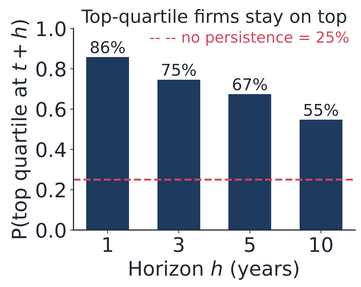
72%

of variation absorbed by **firm** FE (vs. 12% ind.×yr)

0.70

one-year within-firm persistence (≈30% annual depreciation)





It measures people, not policy.

- Correlation with MSCI ESG pillars: only **0.01–0.03**; with prosocial talk on earnings calls: **0.10**.
- Predicted by the **volunteering rate of the HQ ZIP** ($t = 4.8$), not by its economic connectedness ($t = 0.4$).

Is it selection, growth, or measurement?

- **Selection:** Oster (2019) δ from 5 to 24 across headline outcomes (threshold: 1).
- **Growth:** headlines survive controlling for employment growth.
- **Mechanics:** exit holds with a Compustat-scaled separation rate and within every coverage quartile; a random-reassignment placebo gives zero.
- **Reporting:** no discontinuity at LinkedIn's 2011 volunteer-field launch; future-altruism placebo is null; two-way clustering.

2 It is productive: the *voice dividend*

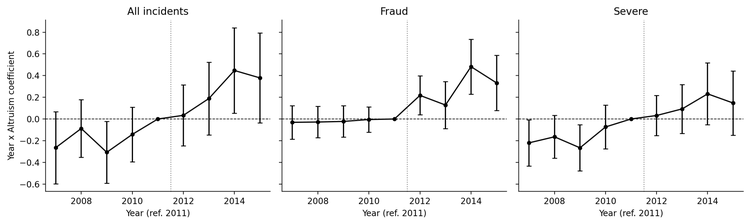
Prosocial types bear private costs to sanction wrongdoing, and employees are the main detectors of fraud. Firms with more of them **surface more misconduct** at t+1 (all incidents: $\beta = 0.29$, $t = 2.8$), and the result **beats managerial prosocial talk** in a horse race.

Causal test: 2011 Dodd–Frank whistleblower bounty. Raises the payoff to reporting without changing who works where.

$$y_{i,t} = \beta\left(\text{Post}_t \times \bar{A}_i^{\text{pre}}\right) + \gamma' X_{i,t} + \mu_i + \lambda_t + \varepsilon_{i,t}$$

	All incidents	**Fraud**	Severe
Post-2011 × $\bar{A}^{\text{pre}}$	0.42***	**0.31*** **	0.27***
	(2.72)	**(3.27)**	(2.88)

Firm + year FE, 2007–2015, $N = 8{,}406$; t-stats clustered by firm.



Event study: flat before 2011, builds after. Placebo on environmental incidents is far weaker.

Takeaway. Which employees a firm has determines how much wrongdoing comes to light, and the channel responds to incentives.

3 Yet shareholders earn *nothing*

−3 bp

FF5 long–short alpha/month ($t = -0.13$)

0

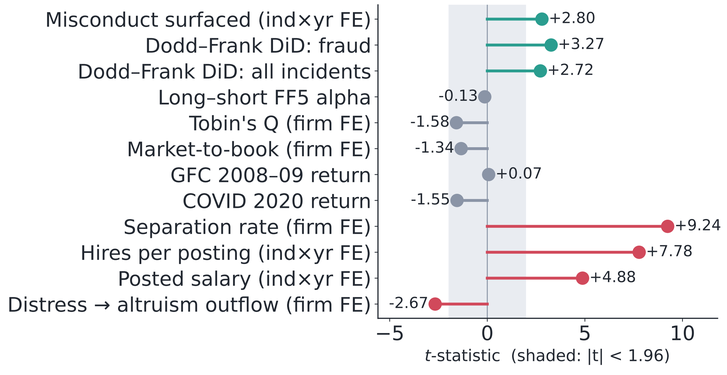
premium in Q, M/B, or profitability

0

crisis protection (GFC $t = 0.1$; COVID $t = -1.6$)

Unlike employee satisfaction (priced slowly) or CSR trust (paid off in 2008–09), this employee intangible is **never priced**, because the firm does not own it.

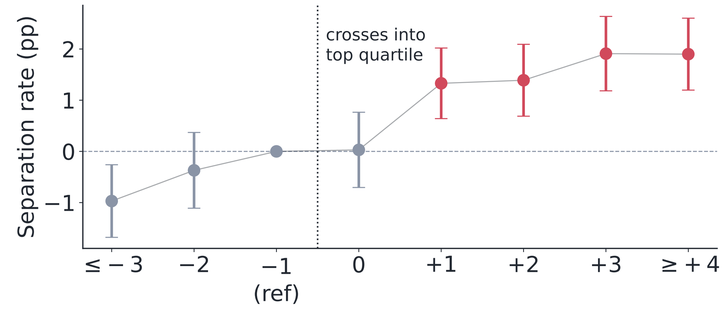
Results at a glance



t-stats on workforce altruism: **Teal**: productive (§2); **grey**: shareholder value (§3); **red**: worker mobility (§4).

4 Resolution: it is worker-owned

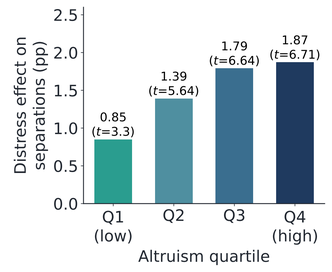
Exit. More altruistic workforces separate more: within-firm $\beta = 0.09$ ($t = 9.2$); 1 SD of $A \Rightarrow$ +1.3 pp separation rate (≈ 10% of mean). Discrete jump once a firm becomes high-altruism, no pre-trend:



Recruiting & wages. Reputation does the recruiting; there is **no wage discount**.

Outcome (ind.×yr FE)	β on A_{t-1}	t
ln(1 + postings)	−0.76***	−3.36
Hires per posting	1.74***	7.78
Posted salary (state×month adj.)	0.18***	4.88

Fair-weather capital. In firm-specific distress, prosocial types **leave differentially** ($t = -2.7$ within firm). Distressed high-A firms pay more to replace them ($t = 2.3$), and lagged A predicts distress exit ($t = 3.5$), ~1/3 via separations.



Takeaway. No crisis insurance because the asset is *gone by the time the crisis arrives*.

Contribution

- **Employee intangibles & CSR value** (Edmans 2011; Lins et al. 2017): an *ownership boundary*; intangibles that walk are never priced.
- **Fraud detection** (Dyck et al. 2010): monitoring capacity depends on the *composition* of the workforce and responds to the price of speaking up.
- **Motivated agents** (Besley & Ghatak 2005): sorting *without* a compensating differential.

Conclusion

Altruistic capital is **real**, **productive**, and **owned by workers**. Firms hold it on lease, and the lease is cancellable by the worker at the worst time.

- **Investors/raters:** not another ESG score; its absence from prices is a property right correctly assigned.
- **Firms:** it can be cultivated through hiring, but not captured.