"The Labor Market Impact of Shareholder Power: Worker-Level Evidence"

Presented by Hyunseob Kim
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Abstract: Using worker-level data from the US Census Bureau's LEHD program from 1993 through 2015, we show that shareholder power leads to large earnings losses for employees. We track the earnings of employees up to five years after their firms experience a material increase in concentrated ownership by institutional shareholders, relative to employees of other firms that experience a similarly sized increase in ownership by diffused institutional shareholders. We find that over the next six years, the cumulative earnings of the affected employees decline by 10% of their pre-event annual earnings on average. Workers with earnings in the top tercile and top managers (such as chief executives) bear the brunt of the earnings losses, with their cumulative earnings declining by 16% and 43%, respectively. In contrast, the increased shareholder power does not affect the earnings of employees with relatively low pay. The earnings losses do not differ conditional on firm departure, suggesting that separation from job is not a main channel for the effects. The collection of evidence appears consistent with concentrated ownership increasing shareholder bargaining power, which in turn reduces employee rents.

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