
Financialization in the Workplace: Short-Term Shareholders, Outsourcing, and Labour Flexibility

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Résumé

The financialization of non-financial corporations (NFCs) is generally associated with a "downsize and distribute" business model that succeeded to a "retain and reinvest" strategy in the eighties (Lazonick and O'Sullivan, 2000). On the downsize side, this strategy means a refocusing on core competences (Prahalad and Hamel, 1990) thanks to the outsourcing of peripheral activities. Companies outsource also core activities when they refocus on the two extreme of value chains (R&D, marketing...) and give priority to international concentration, thus favouring external growth rather than internal growth (in physical investment and human resources). The purpose of these strategies is the shareholder value creation. Some studies have shown the link between the presence of short-term shareholders and the decline in investment in capital expenditure or R&D (e.g Asker et al., 2014, Gutiérrez and Philippon, 2017), or the link between institutional investors and financial payouts (Crane et al., 2016). Others have examined the negative correlation between investment and distribution to shareholders (e.g Orhangazi, 2008, Hecht, 2014). This correlation is highly related to an offshoring dynamic, and probably to the outsourcing of production (Auvray and Rabinovich, 2019).

One of the underdeveloped points in the literature of the financialization of NFCs is the flexibilization of employment. This is surprising since flexibilization of labour is at the heart of the downsize and distribute strategy in the Lazonick and O'Sullivan's (2000) article. The purpose of our article is to enter in the black box of business groups to simultaneously analyse the group ownership structure, and, at the workplace level (the local site of production), outsourcing (peripheral or main activities), the position in the value chain (subcontractor or final seller), and labour flexibility (HRM and wage levels). Such a work is possible thanks to the French survey REPONSE (see Amossé et al. 2016) which questions both sides of the employment relationship in the workplace, employees and managers. This survey has already been used to show the link between corporate governance and employment outcomes such as wages and job security: belonging to a group listed on the stock market is positively correlated to the implementation of performance criteria in labor cost (Forth and Rebérioux, 2016) or to the use of short-term contract and outsourcing (Perraudin et al. 2008). Moreover, working in a corporation in which the first shareholder is a family, with a more long-term orientation than other shareholders, provides more job security, even if it is at the expense of lower wages (Bassanini et al., 2013).

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While focusing on corporate listing or the first shareholder provides important results, this literature does not go into detail about ownership structures, which is nevertheless enlightening on the issue of short-termism. An important cause of firms' short-termism in investment is the importance of impatient institutional investors (Brossard et al., 2013, Asker et al., 2014). Our contribution here is to match the REPOSE survey to other databases to track the ultimate ownership of companies in order to study the effect of the entire ownership structure rather than the sole first owner on labour flexibility.

Mots-Clés: Financialization, human resources management, outsourcing