Working Paper No. 55

Corporate Ownership and Initial Training in Britain, Germany and Switzerland

Paul Ryan, Karin Wagner, Silvia Teuber and Uschi Backes-Gellner
Leading House Working Paper No. 55

Corporate Ownership and Initial Training in Britain, Germany and Switzerland

Paul Ryan, Karin Wagner, Silvia Teuber and Uschi Backes-Gellner

February 2011

The project is joint work of SKOPE and the Swiss Leading House on Economics of Education, Firm Behaviour and Training Policies and therefore appears as a Working Paper in both institutions' working paper series.

Please cite as:


Discussion Papers are intended to make results of the Leading House research or its conferences and workshops promptly available to other economists in order to encourage discussion and suggestions for revisions. The authors are solely responsible for the contents which do not necessarily represent the opinion of the Leading House.

The Swiss Leading House on Economics of Education, Firm Behaviour and Training Policies is a Research Programme of the Swiss Federal Office for Professional Education and Technology (OPET).

www.economics-of-education.ch
Corporate Ownership and Initial Training in Britain, Germany and Switzerland

SKOPE Research Paper No. 99 December 2010

Paul Ryan*, Karin Wagner**, Silvia Teuber***, Uschi Backes-Gellner***

* King’s College Cambridge
** Hochschule für Technik und Wirtschaft Berlin
*** University of Zurich
Abstract
This paper considers whether listed companies with dispersed ownership invest less in training than do other firms, as part of a short-termist stance caused by pressure from the stock market. An analytical framework that supports the proposition involves three factors: high agency costs between the shareholders and managers of listed firms that have dispersed ownership; the use of highly geared performance-related pay to reward top managers; and accounting conventions that distort performance measures by requiring that spending on intangible assets be expensed not amortised. Managers then have the incentive and ability to restrict spending on training in order to increase their remuneration. Countervailing factors, including institutions of corporate governance, may however weaken or destroy such effects. Evidence is presented concerning the initial training programmes of 56 companies in engineering and retailing in Britain, Germany and Switzerland. The evidence is consistent with ownership effects in both sectors, but those effects are at most moderate in both incidence and strength. The skill requirements of competitive success in product markets appear more important than ownership.

To find the full version of the working paper please follow the link: http://www.skope.ox.ac.uk/publications

We would like to thank: the Anglo-German Foundation, the Hans-Böckler Stiftung, SKOPE (Oxford), the Federal Office for Professional Education and Technology (OPET), Berne, and Wissenschaftszentrum Berlin for financial and other support; managers and officials in the participating employers, employers’ associations and trade unions, for participation in the project; participants at colloquia held by Hans-Böckler Stiftung for suggestions and comments; Michaele Kuhnhenne and Christian Dustmann for support and guidance; Jim Foreman, Christian Busin, Jerome Lutz, Katherine Meyer and Andrea Willi for research assistance; Barbara Müller, Statistisches Bundesamt, Bundesamt für Statistik, the Learning and Skills Council, and Bureau van Dijk Electronic Publishing (BvDEP), for providing data; and Howard Gospel, Alan Hughes, and Barbara Müller for helpful suggestions.