Working Paper No. 55

Corporate Ownership and Initial Training in Britain, Germany and Switzerland

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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

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