

Lutz Bellmann, Iris Möller*

Are firms with financial participation of employees better off in a crisis? Evidence from the IAB Establishment Panel Survey**

In 2008/09 many countries all over the world were hit by a deep recession. At the beginning of the economic and financial crises a discussion about the practicability of financial participation of employees as an instrument to overcome the crises was initiated in Germany. Especially liquidity and productivity arguments were mentioned. This paper explores empirically whether firms having financial participation schemes of employees were better off during this turbulent time period. We focus on the function of financial participation schemes to stabilize employment and to avoid human capital losses, which is quite important in economic downturns. Our empirical analysis is based on the IAB-Establishment Panel Survey, which consists of almost 16,000 interviews every year. Our findings reveal that profit sharing and employee share ownership schemes are not outstanding crisis instruments.

Key words: compensation, profit sharing, share ownership, treatment effects
(JEL: M52, J33, C21)

* Lutz Bellmann, Chair of Labour Economics, Friedrich-Alexander-University Erlangen-Nuremberg and Head of the IAB-Research Department Establishments and Employment Head of the IAB-Establishment Panel Survey, Institute for Employment Research, Regensburger Str. 104, 90478 Nuremberg, Germany. E-mail: lutz.bellmann@iab.de.

Iris Möller, Senior Researcher, IAB-Research Department Establishments and Employment, Institute of Employment Research, Regensburger Str. 104, 90478 Nuremberg, Germany. E-mail: iris.moeller@iab.de.

** An earlier version of this paper was presented at the Workshop “Dimensions and Perspectives on Financial Participation” at the Helmut Schmidt University (University of the Federal Armed Forces) Hamburg, January 2013, 18th and 19th. The authors thank participants for their comments, as well as the anonymous referees.

Article received: August 13, 2013

Revised version accepted after double blind review: August 1, 2016.