

Employee Participation in Corporate Governance: What Impact on the Performance and Cash Distribution Policy in the SBF 120 (2000-2014)?

Cécile Cézanne* and Xavier Hollandts**

Abstract – This article analyzes the impact of employee share ownership and representation in governance structures on the performance and the payout policy of French listed companies. This empirical work is based on data from a combination of three sources (IODS, Eikon and Thomson Reuters) for a sample of French listed companies listed over the period 2000-2014. Our results show that employee participation in corporate governance has different impacts. Employee share ownership helps to increase corporate profitability but also to limit dividend payments and share buyback practices. At the same time, employee participation in the Board of Directors (or Supervisory Board) moderates dividend payments to shareholders. These results provide new insights regarding the renewal of corporate governance and the evolution of payout policy.

JEL Classification: G32, G35, J54, L25

Keywords: corporate governance, employee share ownership, co-determination, dividend distribution, share buybacks

**University of Côte d'Azur, CNRS, GREDEG (cecile.cezanne@univ-cotedazur.fr); **Kedge Business School and ClerMa (Xavier.Hollandts@kedgebs.com)
The authors would like to thank two anonymous reviewers for their comments and suggestions, which allowed for significant improvement of successive versions of the article. They declare that they have no conflict of interest in relation to the text of this article.*

Received in January 2020, accepted in February 2021. Translated from "La participation des salariés à la gouvernance d'entreprise : quel impact sur la performance et la politique de distribution des liquidités dans le SBF 120 (2000-2014) ?"

The opinions and analyses presented in this article are those of the author(s) and do not necessarily reflect their institutions' or Insee's views

Citation: Cézanne, C. & Hollandts, X. (2021). Employee Participation in Corporate Governance: What Impact on the Performance and Cash Distribution Policy in the SBF 120 (2000-2014)? *Economie et Statistique / Economics and Statistics*, 528-529, 85–107. doi: 10.24187/ecostat.2021.528d.2061

Employee share ownership has developed significantly since the 1970s in most Western economies (Crifo & Rebérioux, 2019). In Europe, as in the United States (since the ERISA Act of 1974), governments have consistently supported the expansion of financial participation and employee savings schemes to private sector employees¹ (Gomez, 2019). In France, profit sharing (since 1959) and employee share ownership (since 1967) are the main sources of funding for employee savings, which partly address issues of purchasing power and building up retirement capital (Aglietta & Rebérioux, 2005; Aglietta, 2019). Data from surveys by DARES (the Directorate of research, economic studies and statistics of the Ministry of Labour) consistently show that, depending on the year, 7 to 9 million employees have access to at least one employee savings scheme (employee participation, profit sharing or company savings plan). In late 2017, this concerned 8.8 million employees, i.e. 49.9% of French employees in the non-agricultural market sector (Boutier, 2019).

Financial participation and employee savings schemes, usually converted into employee stock ownership (ESO hereafter), allow company employees to invest the sums they hold (often under advantageous conditions due to discounts and matching contributions) in shares or stock in the company that employs them (Desbrières, 2002). Employee share ownership has been growing steadily in most Western countries. France stands out due to its high levels of capital distribution and employee

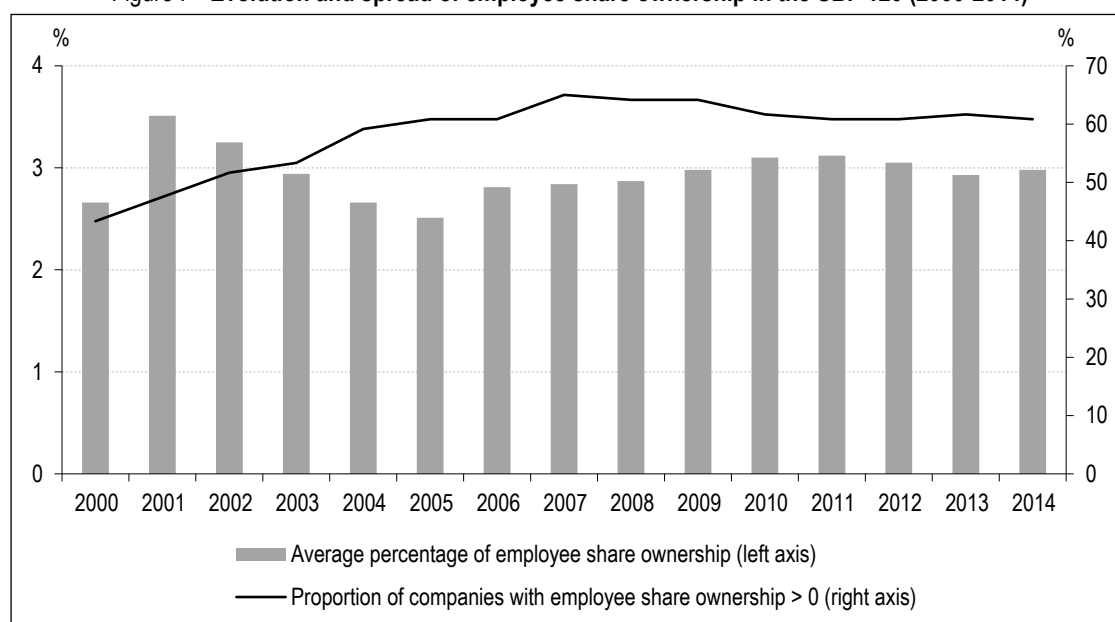
share ownership. According to figures from the European Federation of Employee Share Ownership (EFES), about 3 million employees in large French companies have access to a specific employee share ownership scheme (EFES, 2018, p. 30). In France, as in other countries, employee share ownership is mainly concentrated in listed companies. Employee share ownership is obviously higher in (very) large companies, particularly listed companies. In France, it is used in 82% of companies with more than 1,000 employees, compared with only 14.5% of companies with between 10 and 49 employees (Boutier, 2019). Among the 120 largest companies listed in the Paris market (hereafter the SBF 120)² more than half have an employee share ownership scheme (Figure I). The average employee share ownership rate over the period 2006-2018 is 3.72% of the capital, while the European average is 1.57% (EFES, 2018).

At company level, profit-sharing and employee participation mechanisms allow for the direct transfer of part of the wealth produced to employees, which has a positive effect on employee retention, satisfaction and commitment

1. Employee savings, financial participation and employee share ownership are largely overlapping concepts. Employee savings include incentives, company profit sharing and employee savings plans. In general, these sums are converted, under certain conditions, into support for investment in company shares and thus feed into employee share ownership mechanisms (employee share ownership) (Desbrières, 2002; Boutier, 2019).

2. This index, which stands for Société des Bourses Françaises, groups together the 120 largest companies in terms of market capitalisation and volume of trade on the Euronext Paris market.

Figure I – Evolution and spread of employee share ownership in the SBF 120 (2000-2014)



Sources and Coverage: IODS database and AMF reference documents. SBF 120.

(Kruse, 1996; Blasi *et al.*, 2003; Robinson & Zhang, 2005). It is therefore common to see a positive relationship between employee participation, profit sharing and company performance, through an increase in employee involvement and productivity (Jones & Kato, 1995; Doucouliagos *et al.*, 2020).

In this context, employee financial participation is a clear sign of the spread of a shareholding culture within companies (Aglietta & Rebérioux, 2005; Aglietta, 2019). It allows employees to benefit from a share of the value created, while providing them with a significant lever for taking action in terms of corporate governance (Boatright, 2004; Faleye *et al.*, 2006). Indeed, employee shareholders collectively own a fraction, which is usually substantial, of the shares in the company that employs them, and they benefit from the rights associated to the shares (right to dividend and right to vote at the general shareholders' meeting). This legal power is all the more important as the remaining capital is usually diluted and few shareholders exercise their voting rights. Furthermore, certain clauses of the articles of association or other extra-statutory clauses offer them additional voting rights or mitigate the impact of votes from other shareholder groups (Desbrières, 2002). Employee shareholders therefore have an increasingly important role by playing a pivotal role in some shareholding strategies (Balsmeier *et al.*, 2013). Even as minority shareholders, they can thus influence the control of decisions when they create or join a shareholder coalition (Charléty, 2018). For the past fifteen years, legislative developments³ have strengthened the

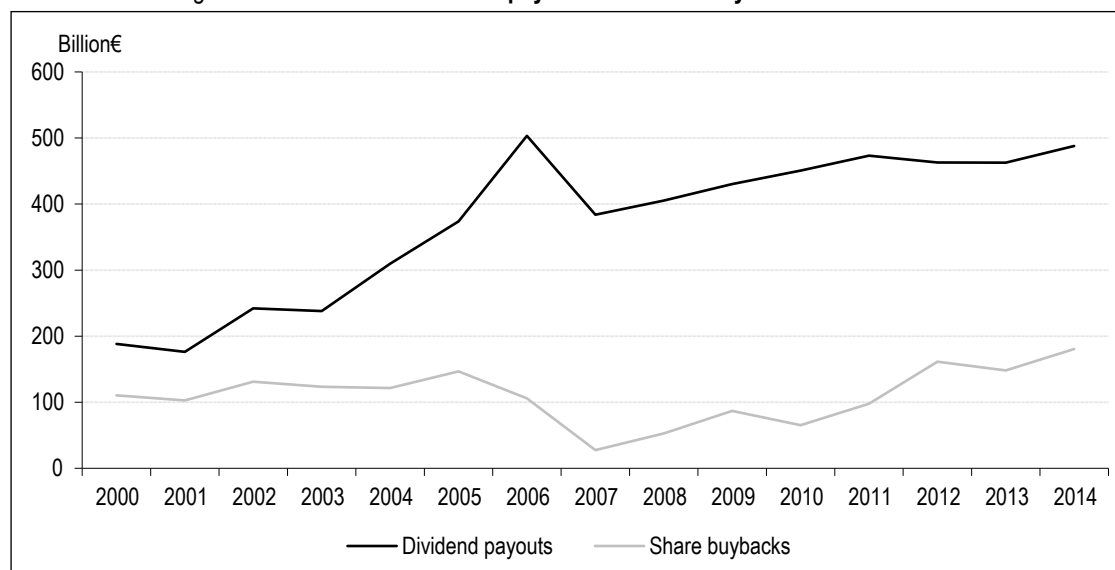
weighting of employee shareholders in corporate governance by granting them representation on the board of directors (or supervisory board) of listed companies (Hollandts & Aubert, 2019; Crifo & Rebérioux, 2019). While this trend seems to be moving towards a more employee-inclusive form of governance and more inclusive capitalism, at the same time we are seeing records for cash payouts to shareholders (Driver *et al.*, 2020). Figure II describes this trend for the sample we analyse as part of this article.

In Europe, France is even thought to be the country paying the most cash to shareholders (Trabelsi *et al.*, 2019). In 2019, €60.2 billion were distributed in the form of share buybacks and dividends paid out to shareholders of CAC 40 companies (+12% compared to 2018 and steadily increasing since 2009)⁴ with an average profit distribution rate of 48% for the companies in the sample. This trend is characteristic of the context of increasing financialisation of the economy and of governance that is mainly oriented towards shareholders – on this subject, see the works of Lazonick & O'Sullivan (2000) and Lazonick (2018) in the Anglo-Saxon context, or Auvray *et al.* (2016) and Aglietta (2019) in the French context. At present, it is indeed the shareholders who benefit most from

3. The law of 30 December 2006 requires employee shareholders to be represented on the board of directors of listed companies. The law of 22 May 2019 on the growth and transformation of companies (PACTE law), even extends this system to the largest unlisted companies (over 1,000 employees in France or 5,000 if the company is active in France and abroad, see Article 184 of the PACTE law).

4. <https://www.lerevenu.com/bourse/dividendes-vers-un-record-en-2019-avec-plus-de-50-milliards-deuros-distribues-par-le-cac-40> and Vernimmen. net (2020).

Figure II – Evolution of dividend payouts and share buybacks in the SBF 120



Sources and Coverage: IODS database and AMF reference documents. SBF 120.

the distribution of profits (Driver *et al.*, 2020), although they can also benefit employees or the company itself.

In this context characterised by increasing employee share ownership, we suggest that it is appropriate to consider the financial consequences of employee participation on capital and on strategic decision-making bodies. How does this employee participation influence the relationship between the company and its shareholders? To what extent does this practice interfere with profit-sharing decisions? The aim of this article is twofold: to analyse the impact of employee share ownership and participation in decision-making (*i*) on the company's performance and (*ii*) on its cash distribution policy. This empirical work is carried out using original data from a sample of companies listed in France between 2000 and 2014. To the best of our knowledge, this is one of the very first studies on the subject carried out using French data, over a recent and relatively long period. The French case is all the more interesting to study because it constitutes a hybrid system of corporate governance, halfway between the Germanic and Nordic models (including a compulsory presence of employee directors without any link with employee share ownership *via* co-determination) and the Anglo-Saxon models (with significant employee share ownership but without employee representation at governance level). This econometric study continues and extends previous work on the link between employee share ownership and corporate financial policy (Aubert *et al.*, 2016; 2017; Ginglinger *et al.*, 2011). It sheds light on and analyses this phenomenon using more recent data on large French stock market capitalisations and in the light of recent developments.

After a review of the literature covering the effects of employee participation, we present the data, the variables and an initial descriptive approach (Section 2), followed by the estimation method and the results (Section 3).

1. A Review of the Literature

The literature on the effects of employee participation has developed in two directions that are of interest to us here: by analysing its effects on corporate performance and on the company's cash distribution policy.

1.1. Employee Participation and Company Performance

A part of the historically dated academic literature considers, in line with the analysis by Jensen

& Meckling (1979), that any form of collective association (partial, majority or total) of employees in the capital and/or in the decisions of the company is unsatisfactory compared to an optimal configuration characterised by a strict separation between shareholders, managers and employees. According to Jensen & Meckling (1979), employee participation (in capital and/or decisions) is imposed on companies by public authorities and leads to failures that hinder corporate governance and corporate performance. For the authors, the main reason for these failures is the time horizon of employees, which is limited by the expiry of their employment contracts. Employees are thus naturally inclined to choose investment projects that correspond to the end of their employment contracts, to the detriment of the company's development whose time horizon is assumed to be infinite. Furthermore, they expose the company and its shareholders to hold-up risks, which manifest themselves in the promotion of decisions related to wage and benefit increases based on opportunistic behaviour. Employees seek to increase the benefits available to them, which may lead them to reduce, delay or eliminate the investments needed to develop firm-specific assets and thus damage the company's competitiveness. In other words, in the absence of an effective incentive system, employee shareholders, who act in accordance with a limited time horizon, tend to under-invest and deprive the company of part of the wealth it could create.

While employee participation can be detrimental at collective level, at the individual level it can have positive effects due to interest alignment. In line with the rationale of the agency theory (Jensen & Meckling, 1976; Holmström & Milgrom, 1994; Hart, 1995; Shleifer & Vishny, 1997), employee share ownership is an effective individual incentive and control tool that steers the company's employees in question towards a strategy that is in line with maximising shareholder value. The direct participation of employees in the capital of the company can be seen as a way for shareholders to transfer *ex ante* part of the risk of the company's activity to employees, especially those providing the most critical resources (Aglietta & Rébérioux, 2005). More precisely, the delegation of ownership rights is an indicator of the residual control of the firm (embodied by its shareholders) over its key employees, as well as being a measure of residual income sharing to encourage them to behave in a manner that fulfils the objective of maximising the value of the firm's equity. Opening up the capital makes it possible to align

the interests of employees with those of shareholders and helps to resolve potential agency conflicts. This is also suggested (albeit based on a radically different representation of the firm) by Blair (1999, 2012) in a legal approach, or Kruse (1996) in a managerial perspective. These authors argue that the development of employee share ownership makes it possible to combat hold-up attempts linked to the risk of underinvestment in human capital,⁵ in particular because of the monetary gains associated with employee share ownership. At the same time, it has positive effects on encouraging individuals to invest, leading to an increase in employee productivity (Doucouliagos *et al.*, 2020; Jones & Kato, 1995).

Numerous empirical studies on the subject show a positive relationship between employee share ownership and company performance measured in terms of value created for shareholders (Blasi *et al.*, 2016; Kim & Patel, 2017). The meta-analysis by O'Boyle *et al.* (2016) on 102 samples representing 56,984 companies representative of the global corporate population goes in the same direction and confirms that employee share ownership has a positive and statistically significant relationship with company performance.

Owning capital gives employee shareholders control rights that can be used to strengthen their influence at the heart of governance. This is precisely the case when they become directors, in addition to their collective ownership of company capital. Since the board of directors (or supervisory board) has decision-making rights, supervisory and sanctioning powers, but is also able to participate in the management of the company, its composition is crucial. Employee participation can be positive insofar as it makes it possible to align the interests of the productive coalition (Fama & Jensen, 1983; Goodijk, 2000). Employees provide a critical view of the impact of proposed strategies on the development of human capital, which is increasingly central to the creation of corporate value (Mahoney & Kor, 2015; Wang *et al.*, 2009). Furthermore, their good knowledge of the employee culture and life within the company can enable the board to assess and evaluate how employees receive and implement the proposed strategies (Jensen & Meckling, 1995). Finally, since experienced employees are the bearers of a shared memory, they often provide the historical perspective necessary for prudent decision-making by suggesting that past failures and successes be taken into account. Ultimately, employee directors help to optimise the decisions of the governance body while ensuring strong

negotiating power over management. Empirical studies confirm the positive impact of co-determination (i.e. the sharing of management and decision control powers between shareholders and employees) on the performance of companies, measured in terms of economic value and stock market value (Gorton & Schmidt, 2004; Fauver & Fuerst, 2006).

Based on this prevailing theoretical and empirical work, which examines employee ownership as a tool for individual incentive to interest alignment, we make the following assumptions:

- (H1) there is a positive relationship between employee share ownership and company performance;
- (H2) there is a positive relationship between employee membership of the board of directors and company performance.

1.2. Employee Participation and Cash Distribution Policy

Since it guarantees employees decision-making power over the company's major orientations, employee share ownership has an impact on the choices regarding the distribution of the company's cash. Depending on how employee share ownership is represented, it can have a positive or negative effect on the redistribution of the wealth created for shareholders.

1.2.1. Employee Representation Leads to a Distribution of Wealth that is Favourable to Shareholders

In line with the traditional lessons of agency theory, employee share ownership enables employees to influence and guide business strategies in the desired direction (Ginglinger *et al.*, 2011). Based on the fundamental principle of "one share = one vote", it allows employee shareholders to exercise their discretionary power directly in the general meeting. They can thus influence the ordinary management of the company and financial policy decisions such as the distribution of dividends.

At the same time, the presence of employee shareholders on governance bodies allows other shareholder representatives to access information that they would not otherwise have been able to obtain. Employee directors hold private information which, by being disclosed to other directors, strongly limits information

5. The risk of underinvestment in human capital manifests itself, for example, in turnover, absenteeism, work stoppages, strikes or even resignations (Fauver & Fuerst, 2006).

asymmetry, which can benefit to management (Germain & Lyon-Caen; 2016). Employee directors are said to be the best informed about the situation and functioning of the company (Ginglinger *et al.*, 2011), much better informed than other directors, especially external ones (Cavaco *et al.*, 2017). Thus, the presence of employees on the board reduces overall information asymmetry (Acharya *et al.*, 2011), including that relative to management decisions on value creation and distribution strategy (Germain & Lyon-Caen, 2016). It limits the moral risks associated with, *inter alia*, poor cash allocation choices (particularly the act of holding “idle” cash) and ensures wealth distribution that is favourable to shareholders.

1.2.2. Employee Representation Contributes to Balanced Profit Sharing

A positive partnership approach argues that the presence of employee shareholders on the board of directors is decisive in its ability to control opportunistic shareholder behaviour (Gorton & Schmid, 2004; Derouiche, 2013). It responds to the principle of co-determination in corporate governance and thus contributes to the stabilisation of power within the company. Inexpensive, institutional employee participation allows for effective cooperation within the firm to create and appropriate income collectively (Aoki, 1984). Indeed, the presence of employee directors, who are sensitive to the development of human capital, alongside other directors who are sensitive to the development of financial capital, ensures effective dual control for the collective (Aoki, 1990). More generally, employee participation is a way of protecting the interests of all critical resource holders in the company, especially the employees themselves as the holders of specific human capital. Employee shareholders bear a very high level of risk associated with the potential loss of their human and financial capital (Desbrières, 2002) and, as such, they pay particular attention to the company’s profit redistribution policy. The payment of cash that only benefits shareholders can therefore damage the income and value of employee shareholders’ savings, both in the short term (lack of revaluation of bonuses and salaries) and in the long term (career and employment at risk in the absence of investments favourable to company growth). Thus, employee shareholders seek to maintain their bargaining power over the company’s cash flows in order to favour employee remuneration and/or to support the company’s productive investment. They apply pressure to retain corporate

profits, rather than paying them out in the form of dividends and share buybacks. Indeed, since dividends, and especially buybacks financed by the issuance of debt securities, increase the risk of the company, all other things being equal, employees should give preference to a lower distribution of cash to shareholders.

This is suggested by some work that is critical of corporate strategies that focus on downsizing, which favours an increased return on equity (distribute) (Lazonick & O’Sullivan, 2000; Tulum & Lazonick, 2018). The resulting allocation of resources to shareholders alone deteriorates the productive and innovative capacities of companies and causes employment instability, income inequality and falling productivity (Rajan & Zingales, 2004; Reberioux & Aglietta, 2005; Auvray *et al.*, 2016; Lazonick, 2018). However, the few empirical studies of which we are aware that observe the relationship between the presence of employee shareholders and directors and the pay out of cash do not allow us to draw any general conclusions. In their study of the German co-determination system, Fauver & Fuerst (2006) find that companies with employee representation are more likely to pay out dividends. In the French case, Ginglinger *et al.* (2011) show that the presence of employee shareholders on the board has no significant influence on cash distribution policy choices.

Given the absence of theoretical consensus and the small number of empirical studies on the subject, we assume the existence of a statistical relationship, without being able to determine its direction, and make the following general assumptions:

- (H3) there is a non-neutral relationship between employee share ownership and the company’s cash distribution policy;
- (H4) there is a non-neutral relationship between the presence of employee directors and the company’s cash distribution policy.

2. Data, Variables and Initial Descriptive Elements

The data used and analysed are based on a sample of companies listed on the SBF 120 index, which includes the 120 largest capitalisations on the Paris Stock Exchange. The SBF 120 index has two specific features. Firstly, it is broader than the CAC 40, the flagship index of the Paris Stock Exchange, and better represents the diversity of French listed companies (Ginglinger *et al.*, 2011). Secondly, the SBF 120 index is composed in a relatively balanced way,

including companies with and without employee share ownership.

Our final sample is composed of 85 companies, analysed over 15 consecutive years. Banks and insurance companies have not been included, due to their financial structure and the specific nature of their economic performance (Ginglinger *et al.*, 2011; Lazonick, 2018; Trabelsi *et al.*, 2019). Finally, companies with too many missing values have been removed from the final sample.

Over the observation period, depending on the year, between 42% and 63% of the companies in this sample have a level of employee share ownership higher than zero. The highest figures were reached in the two years preceding the 2008 crisis before stabilising at a level of 60% in the years following the financial crisis (cf. Figure II).

The final database is the result of a combination of three main sources of economic and financial data. The first, IODS (INSEAD OEE Data Services), mainly provides variables related to corporate governance (board size, number of independent directors, number of employee directors, etc.). The second, Eikon, provides financial data on company performance as well as the practices and amounts paid out in cash redistribution to shareholders. Finally, some control variables are taken from the Thomson Reuters database. The usual data review and cleaning procedures have been carried out (search for outliers and missing values); we have also carried out a manual search of the reference documents or annual reports of the companies concerned in order to correct data reporting errors or missing data.

2.1. Variables of the Analysis

In line with our questions and assumptions, we seek to characterise employee ownership and corporate governance on the one hand, and company performance and cash distribution on the other, which will be our dependent variables.

Two broad categories of dependent variables are defined. The first category, concerning company performance, includes: return on assets (ROA), return on invested capital (ROI) and return on equity (ROE). We favour an approach linked to the economic value of the company (rather than its financial value) in order to take into account the operational performance of the company⁶ which is commonly used in the methods for calculating the amounts distributed under employee savings and employee share ownership (in

particular profit-sharing and incentive schemes) (Desbrières, 2002; Ginglinger *et al.*, 2011; Boutier, 2019). The second category, relative to the distribution of cash to shareholders, consists of the amount spent on share buybacks and the amount of dividends paid out to shareholders.

In terms of explanatory variables, employee participation covers, on the one hand, employee share ownership, measured by the percentage of capital held by employees, and, on the other hand, direct employee participation in the board of directors (or supervisory board), measured by the proportion of employee directors, in line with the work of Balsmeier *et al.* (2013), Hollandts *et al.* (2009) or Ginglinger *et al.* (2011) carried out in relation to the French context.⁷ We also include a series of variables relating to the key features of ‘good’ corporate governance (Afep-MEDEF, 2020): the type of structure, whether it is dual or not; the proportion of independent directors, and the proportion of female directors, are considered to ensure a certain level of control over the behaviour and performance of managers.

Finally, we use the traditional control variables for studies of this type: business sector, company size, debt level, number of years since IPO.

Table 1 summarises this set of variables and reports the associated statistics for the sample, averaged over the study period.

We find that the average level of employee share ownership is approaching the 3% threshold, which is the level used by legislators and the literature to correspond to a significant level of employee share ownership (Ginglinger *et al.*, 2011).⁸ Furthermore, on average, there are one

6. Here we use economic and accounting indicators rather than financial indicators. Firstly, financial performance is more easily subject to variations due to exogenous factors. Indeed, the literature shows that companies, like some shareholders, are able to vary or even ‘manipulate’ market values, which reflect the company’s performance on a momentary and imperfect basis. Secondly, the issue of profit distribution is originally linked to the company’s economic results and not to its financial value. Finally, employees have a direct interest, above all, in the accounting and economic performance of the company, insofar as the participation and profit-sharing mechanisms are directly linked (in respect of their calculation formula) to this type of performance.

7. In France, employee representation on the board of directors (or supervisory board) is mandatory where employees hold more than 3% of the company’s capital. The presence of employee directors without any link to employee share ownership (i.e. co-determination) was made compulsory by the Employment Security Law in June 2013 (recently reinforced by the May 2019 PACTE Law). While the distinction between these two types of employee directors seems clear from a regulatory point of view, it is much less clear in practice. Indeed, it is common for some “trade union” employee directors to also be elected to positions reserved for employee shareholder representatives. In this context, we prefer to observe the overall effect of employee representation rather than separating the two types of representation.

8. Over the whole period, the average level is 2.18%, but in the last year (2014) the average is 2.95% compared to 2.01% at the beginning of the period (2000).

Table 1 – Variables used in the estimations

Variable type	Variable category	Name	Description
Dependent	Performance	ROA	Net margin × Asset turnover
		ROE	Net income in year n / (equity in n + equity in $n-1$)/2
		ROI	Net income / Net assets
	Cash distributions	Dividends	Total amount of dividends distributed to shareholders in year n
		Share buybacks	Total amount of shares bought back by the company on the stock exchange in year n
Independent	Employee participation	Employee shareholding	Proportion of capital held by employees
		Employee directors	Proportion of employee directors
	Governance	Board structure	Single board (Board of Directors) or dual board (Supervisory Board and Management Board)
		Independent directors	Proportion of independent directors
		Female directors	Proportion of female directors
	Other control variables	Assets	Total amount of the company's assets
		Turnover	Total sales by the company
		EBITDA	Operating result of the company
		Debt	Total debt of the company
		Length of time on the Stock Exchange (IPO)	Number of years listed on the Paris Stock Exchange
Business sector	Industry dummy (manufacturing vs. other industries)		

or two employee representatives on the board of directors or supervisory board, with this proportion rising to more than a third in the company that is most advanced in this area. The proportion of independent directors is slightly below 50%, while the proportion of women is over 10% (and is rising due to the effects of the Copé-Zimmermann law of 2011).

2.2. Main Developments

Here we present the main trends in the development of employee participation and cash

distribution to shareholders (amounts of dividends paid out and shares bought back) in the companies in the sample. Table 2 presents the descriptive statistics of our sample, over the entire study period.

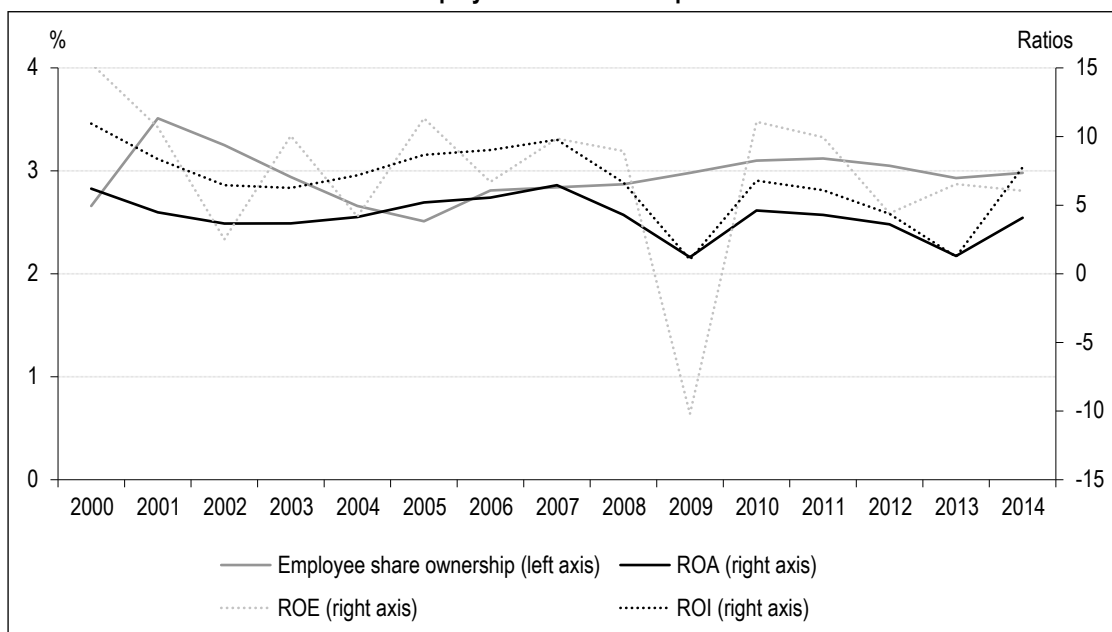
Figure III shows the development of the average level of employee share ownership and the average level of profitability (ROA, ROE and ROI) of the companies in our sample that have employee share ownership. It indicates a collapse in company performance around the time of the 2008/2009 financial crisis.

Table 2 – Descriptive statistics of the variables in the analysis (2000-2014)

	Mean	Standard deviation	Min	Max
Dependent variables				
ROA	4.23	7.44	-85.67	49.25
ROE	9.25	24.57	-332.74	127.43
ROI	6.99	14.19	-188.81	72.74
Dividends paid out (M€)	336.8	757.2	0	5540.1
Share buybacks (M€)	147.2	162.4	0	6160.2
Independent variables				
Employee share ownership	2.58	2.32	0	32.75
Ratio of employee directors	1.49	5.93	0	35.29
Dual structure	0.27	0.44	0	1
Proportion of independent directors	46.53	19.88	0	66.66
Proportion of female directors	11.84	10.99	0	53.84
Assets (M€)	19,603.4	34,304.1	4.15	265,043.1
Turnover (M€)	12,101.5	22,703.1	170.3	182,141.2
EBITDA (M€)	1,454.18	28,276.07	-114.4	18,960
Debt (M€)	271.4	331.4	1	927.77
Length of time since IPO	30.01	25.13	3	133
Number of observations: 1,105				

Sources and Coverage: IODS database and AMF reference documents, authors' calculations, SBF 120.

Figure III – Average level of employee share ownership and average profitability of SBF 120 companies with employee share ownership scheme



Sources and Coverage: IODS database and AMF reference documents. SBF 120 restricted to companies with employee shareholding above zero.

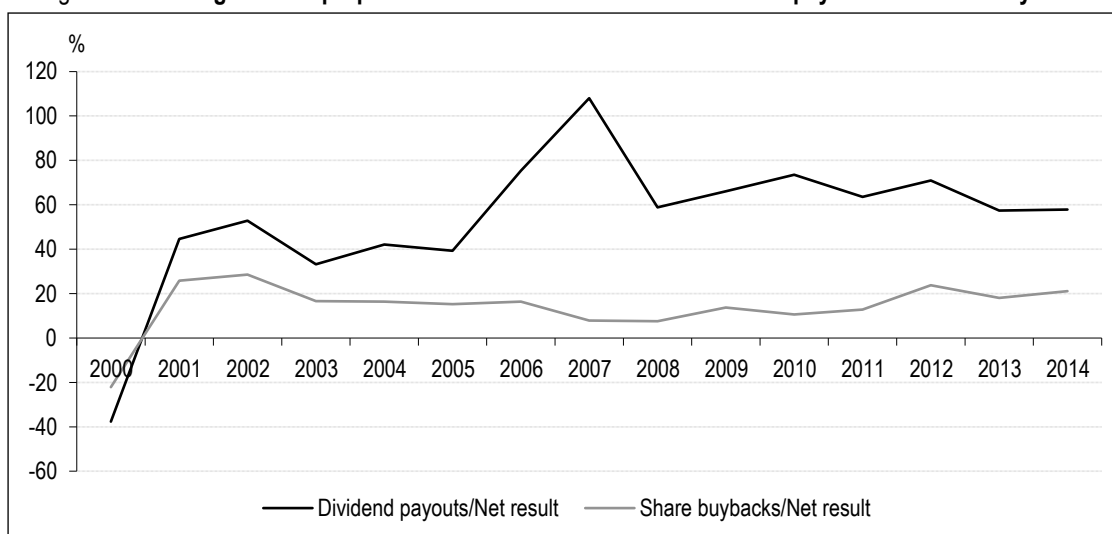
The three performance indicators follow a relatively similar trend, although the ROE displays a higher level of volatility than the other two variables.

Figure IV shows the levels of share buybacks and dividend payments per year (for companies with employee share ownership only). There has been a steady increase in these levels (expressed as a percentage of net income) with a peak being achieved in the year before the 2008 crisis. These developments are in line with what many observers have been pointing out for several years (see, for example, Vernimmen.

net, 2020, or Trabelsi *et al.*, 2019). The level of share buybacks remains relatively constant over the period, unlike dividends, which are more sensitive to the company's results, the business sector or stock market dynamics.

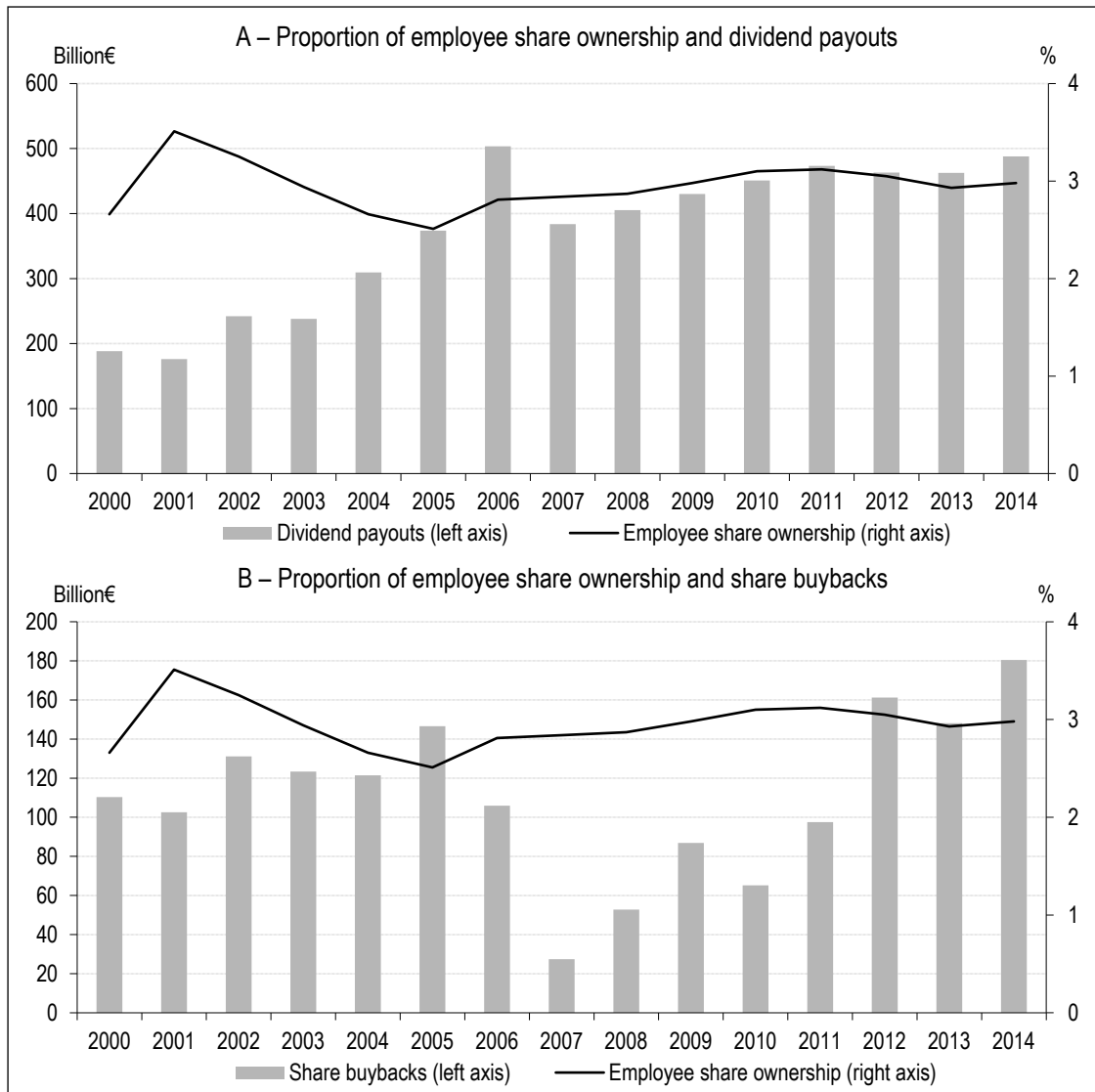
Finally, within the sample, the levels of share buybacks and dividend payments remain at relatively high levels after the 2008-2009 financial crisis (Figure V-A), confirming a focus on shareholders in profit distribution practices. The level of employee share ownership, on the other hand, is relatively stable over the whole period (Figure V-B).

Figure IV – Average annual proportion of net result allocated to dividend payouts and share buybacks



Sources and Coverage: IODS database and AMF reference documents. SBF120 restricted to companies with employee shareholding above zero.

Figure V – Share of employee shareholding, dividend payouts and share buybacks



Sources and Coverage: IODS database and AMF reference documents. SBF 120 restricted to companies with employee shareholding above zero.

3. Estimation Method and Results

3.1. Econometric Approach

The structure of our data leads us to carry out dynamic panel estimates over fifteen consecutive years. This method makes it possible to take into account the endogeneity problems generally found in studies linking performance variables and governance variables (Cameron & Triverdi, 2005; Wintoki *et al.*, 2012). Endogeneity is a source of bias in the estimates and failure to account for it could cast doubt on the results obtained or even invalidate them (Wooldridge, 2010; Wintoki *et al.*, 2012). There are several sources of endogeneity: omitted variables, measurement errors and reverse causality (Cameron & Triverdi, 2005; Wooldridge, 2010). To deal with endogeneity, the literature recommends the use of the GMM estimation method for the estimation of dynamic panel models.

Consequently, the general structure of our dynamic regression model is as follows:

$$VD_{it} = \beta_1 + \beta_2 VD_{it-1} + \beta_3 AS_{it} + \beta_4 Gouvernance_{it} + \beta_5 Control_{it} + \mu_i + \pi_i + \varepsilon_{it}$$

VD_{it} , the dependent variable, alternately corresponds to performance (ROI, ROA and ROE) and the cash distribution (dividends and share buybacks) of company i at date t .

VD_{it-1} represents the dependent variable lagged by a period; AS_{it} is the measurement of employee share ownership of company i as at date t ; $Gouvernance_{it}$ represents the set of governance variables of company i as at date t ; $Control_{it}$ is the set of control variables of company i as at date t ; μ_i represents individual fixed effects that reflect unobservable effects that do not vary over time; π_i represents the sector-specific fixed

effects that reflect the unobservable factors common to all sectors; ε_{it} is the error term.

There are two ways of estimating a dynamic regression model: the GMM first difference estimation model of Arellano & Bond (1991) and the GMM system estimation model of Blundell & Bond (1998). The latter combines first difference equations and level equations; the instrumentation of the explanatory variables is carried out based on their first differences. We use the GMM system estimation model developed by Blundell & Bond (1998) because the authors have shown using Monte Carlo simulation that this estimation model performs best (Cameron & Triverdi, 2005; Wooldridge, 2010). It thus allows us to take into account the complexity of the relationship between employee share ownership and profit sharing and to deal effectively with the endogeneity problem (Nekhili *et al.*, 2019). Furthermore, in our study, we consider that the relationship between employee share ownership and cash distribution can be observed simultaneously: employee share ownership has an impact on company performance and the resulting cash distribution, but performance and cash distribution could at the same time have a causal effect on employee share ownership (Ginglinger *et al.*, 2011). To sum up, the GMM system estimation model not only makes it possible to address this endogeneity problem but also takes into account all sources of bias by instrumenting the explanatory variables with their lagged differences and lagged levels (or internal instruments). GMM system estimates are validated in dynamic panels based on two types of tests. Firstly, Sargan's over-identification test makes it possible to test the validity of lagged variables as instruments (the null assumption being that the instruments are valid). Secondly, two tests defined by Arellano & Bond (1991) are used to verify the validity of the null hypothesis of autocorrelation of the first order residuals (AR1) and the absence of second order autocorrelation in the errors of the first difference equation (AR2), respectively.

3.2. Results

Firstly, the correlation matrix shows a link between most of the variables of interest (see Appendix 1), but the level of the coefficients between the explanatory variables excludes possible multicollinearity problems in our regression models.⁹ Secondly, we seek to test the links formulated in the assumptions justified above with the help of an econometric study, the main results of which are presented in Tables 3 and 4.

Table 3 looks at assumptions H1 and H2 and the influence of employee share ownership and employee membership of the board of directors (or supervisory board) on company performance. Models (1), (2) and (3) reveal, all other things being equal, a positive and significant effect of employee share ownership on company performance, whatever the profitability indicator (ROA, ROE, ROI) used. These results show that the impact of employee share ownership is not sensitive to the performance measurement used. Assumption H1 is therefore validated. These same models (1), (2) and (3) do not allow us to robustly identify, all other things being equal, a direct and significant effect of the presence of employee directors on the profitability of the company. These results do not validate assumption H2.

Table 4 looks at assumptions H3 and H4 and the relationship between employee share ownership and employee membership of the board of directors (or supervisory board) and the company's cash distribution policy. Models (5) and (7) show that, all other things being equal, employee share ownership has a negative and significant effect on the propensity of companies to pay dividends to their shareholders and to buy back their own shares. These results validate assumption H3 and shed light on the direction of the relationship by showing that employee share ownership is negatively associated with practices of cash redistribution to shareholders. Models (4) and (5) indicate that, all other things being equal, the presence of employee directors also has a negative and significant impact on dividend payouts. This result provides empirical evidence for assumption H4; it reveals that the presence of employee directors limits the cash distribution policy of companies by moderating the amounts of dividends they pay out. However, we do not observe a significant effect on share buybacks. Finally, it can be noted that the governance structure as well as the composition of the board have a significant impact on the cash redistribution policy.

3.3. Robustness Tests

Several econometric problems, mainly relating to endogeneity, were likely to arise in our study and led to additional estimations.

The use of dynamic panel models largely addresses endogeneity issues. The introduction

9. The absence of multicollinearity is corroborated by the analysis of the tolerance or the Variance inflation factor (VIF, equal to the inverse of the tolerance), not presented in the econometric results tables but requested in the STATA software.

Table 3 – Influence of employee share ownership on company performance (ROA, ROE, ROI)

	ROA	ROE	ROI
	(1)	(2)	(3)
ROA*	0.0934 *** (0.0282)		
ROE*		0.287 *** (0.0375)	
ROI*			0.143 *** (0.0326)
Employee share ownership	2.272 *** (0.824)	3.527 ** (1.657)	2.045 ** (0.979)
Employee directors	-0.211 (0.148)	0.134 (0.410)	0.0417 (0.202)
Dual structure	-1.729 (2.114)	12.05 ** (5.607)	1.994 (2.717)
Independent directors	-0.0548 (0.0381)	0.0275 (0.0933)	0.0566 (0.0429)
Female directors	-0.00535 (0.0373)	0.00955 (0.100)	-0.101 ** (0.0478)
Assets	-0.876 (0.671)	3.168 (2.504)	-1.889 * (1.131)
Turnover	0.00073 (0.00052)	-0.00045 (0.000127)	0.000098 * (0.000059)
EBITDA	0.00139 *** (0.000494)	0.00540 *** (0.00117)	0.00165 *** (0.000530)
Debt	-0.000643 (0.0107)	-0.00441 (0.0254)	0.00698 (0.0123)
Length of time since IPO	0.216 * (0.114)	0.602 ** (0.240)	-0.00525 (0.147)
Business sector	-0.890 (1.322)	9.713 *** (2.574)	3.414 *** (1.277)
Constant	-399.6 (229.6)	-1.302 (481.3)	34.39 (302.3)
AR(1)	-1.78 (p=0.00)	-2.12 (p=0.00)	-2.02 (p=0.00)
AR(2)	-0.701 (p=0.31)	-0.84 (p=0.35)	-1.45 (p=0.22)
Sargan	1	1	0.99
Number of observations	1,105	1,105	1,105
Number of companies	85	85	85

* One year lag.

Note: GMM estimates. Significance: ***1%, **5%, *10%, standard deviations in brackets.

Sources: IODS database and AMF reference documents, authors' calculations.

of instrumental and lagged variables thus makes it possible to correct the estimation bias of the effect of employee share ownership on value redistribution. The dynamic models used introduce a time lag of at least one year. The results of other estimations with a lag of 1, 2 and 3 years are stable and consistent, in terms of both significance and the value of the coefficients (see Appendix 2, Table A2-1). In these circumstances, we have given preference to the results of models estimated using a time lag of one year, which we believe to be the most relevant given the postulated effect between shareholding and value distribution (decided in the following year) and in line with similar work

on the subject: there is no evidence to support the thesis of a lagged effect of two or more years between the observed value of employee share ownership in a given year and its potential effect on value redistribution (Nekhili *et al.*, 2019).

Furthermore, while we have chosen to use an indicator of overall employee representation, we have also made additional estimations distinguishing among employee directors those who represent employee shareholders from those who represent employees more broadly – the latter generally being employee or union representatives. The results of these additional estimations (see Appendix 2, Table A2-2) do not

Table 4 – Influence of employee share ownership on cash redistribution

	Dividend payout		Share buybacks	
	(4)	(5)	(6)	(7)
Dividend payout*	0.678 *** (0.0251)	0.695 *** (0.0255)		
Share buybacks*			0.301 *** (0.0278)	0.328 *** (0.0279)
Employee share ownership		-192.2 *** (42.59)		-36.56 * (26.66)
Employee directors	-12.92 ** (6.009)	-12.36 ** (6.034)	1.482 (6.035)	1.206 (6.043)
Dual structure	456.1 *** (71.17)	394.4 *** (72.75)	45.27 (73.68)	52.03 (73.91)
Independent directors	3.890 *** (1.309)	4.287 *** (1.317)	2.300 * (1.321)	2.315 * (1.322)
Female directors	1.200 (1.541)	0.404 (1.558)	-3.135 ** (1.473)	-3.268 ** (1.477)
Assets	193.8 *** (34.57)	166.1 *** (35.25)	26.45 (28.39)	4.419 (32.65)
Turnover	0.00430 ** (0.00106)	0.00416 * (0.00107)	-0.000165 (0.00151)	-0.000179 (0.00151)
EBITDA	-0.0326 (0.0202)	-0.0374 * (0.0203)	-0.0152 (0.0202)	-0.0129 (0.0203)
Debt	-0.0817 (0.369)	-0.0680 (0.370)	-0.0906 (0.371)	-0.0868 (0.371)
Length of time since IPO	0.491 (6.423)	13.21 * (7.037)	7.911 * (4.435)	5.126 (4.881)
Business sector	-413.0 *** (46.85)	-748.9 *** (88.05)	63.64 * (33.05)	108.7 ** (46.63)
Constant	4,904 (12,849)	-19,104 (13,954)	-16,616 (8,628)	-10,874 (9,597)
AR(1)	-2.19 (p=0.00)	-2.04(p=0.00)	-6.78 (p=0.00)	-6.54 (p=0.00)
AR(2)	0.93 (p=0.38)	1.15(p=0.31)	0.56 (p=0.58)	0.58 (p=0.51)
Sargan	1	1	0.99	0.99
Number of observations	1,066	1,066	1,066	1,066
Number of companies	82	82	82	82

* One year lag.

Note: GMM estimates. Significance: ***1%, **5%, *10%, standard deviations in brackets. The number of observations is smaller than in Table 3 because of missing values.

Sources: IODS database and AMF reference documents, authors' calculations.

reveal any significant effect differentiated by type of employee representation, whereas we do observe an effect on the overall representation. In our view, this lack of effect is primarily due to the low number of observations when the two types of representation are strictly separated.

Finally, as mentioned above, we carried out sensitivity tests on various measures of performance (particularly net income). The results obtained do not vary depending on the performance measure used (see Appendix 2, Table A2-3). We are therefore confident in the quality and robustness of the results presented.

* *
*

This article proposed an analysis of the effects of employee share ownership and participation in governance bodies on the performance and cash distribution policy of French companies.

From the point of view of the “employee share ownership-performance” relationship, our results are in line with those of the literature which show a positive contribution by employee share ownership to the performance of the firm. These results, which are obtained in both the French case (Aubert *et al.*, 2016; 2017; Ginglinger *et al.*, 2011; Nekhili *et al.*, 2019) and with non-French data (Blasi *et al.*, 2016; Kim & Patel, 2017; O’Boyle *et al.*, 2016), confirm that employee share ownership contributes to generating performance and ultimately profits.

Consequently, these results justify the involvement of employee shareholders in decisions on the redistribution of these same profits (Crafo & Reberiou, 2019) and fuel the debates on the subject (see the Cotis report, 2009, or more recently the Notat & Senard report, 2018). However, studies warn of ambivalent effects when employee share ownership exceeds certain levels (see Guedri & Hollandts, 2008, on French data). This is the case for the study by Faleye *et al.* (2006) on a sample of US listed companies in the mid-1990s, which is still considered one of the most comprehensive on the subject. The study shows that the positive effects of employee ownership on performance are more important for moderate levels (below 5% of capital) and tend to decrease above this threshold.

From the point of view of the “employee directors-performance” relationship, our results indicate that the mere presence of employees on the board of directors, all other things being equal, has no significant direct effect on company performance. They are in line with the results of research that suggests that, in order to be an efficient arrangement, employee participation in governance bodies needs to be limited. This is a lesson imparted by the study by Gorton & Schmid (2004), for example. Carried out on the 250 largest German non-financial public limited companies over the period 1989-1993, that study shows that high levels of co-determination have a significant negative impact on company performance: a change from one-third to one-half of the supervisory board being made up by employee representatives (which is allowed under German law) lowers the value of the company. More specifically, the results indicate that companies with equal representation (50% being employees) have a share value (as measured by market-to-book ratio of equity) 31% lower than that of companies with lower employee representation (a proportion of one-third being employees). Fauver & Fuerst (2006) extend and refine these findings using a sample of 786 German listed companies observed in 2003. They demonstrate that limited levels of employee representation on boards increase the efficiency and market value of firms (as measured by Tobin’s Q). For complex industries that require a high level of co-ordination, employee representation leads to diminishing marginal returns above a certain threshold (around one third of employee representatives) although higher levels of participation (more than one third) still improve company performance. Their results further show that this positive effect is not observed for trade union

representatives. The study by Ginglinger *et al.* (2011), based on 1,638 observations of SBF 120 companies over the period 1998-2008, presents similar contrasting results: the link between co-determination and company performance is not clear and uniform and depends on the type of employee representation. Specifically, this study indicates that the fraction of board seats held by employee shareholders is positively and significantly related to Tobin’s Q and both ROA measures (a robust result regardless of the model specification). In contrast, the fraction of board seats held by employee representatives (i.e. not related to employee share ownership) is significantly positively related to only ROA, and only for certain model specifications. Thus, in situations in which incentive mechanisms operate at individual level (characteristics of employee share ownership and employee shareholder representation on the board) but employee representation does not exceed certain thresholds so as not to have too much influence on decisions, collective employee participation in corporate governance (at aggregate level) increases company performance.

As regards the relationship between employee share ownership and cash distribution to shareholders, our results show that (i) employee share ownership has a direct, negative and significant impact on the amount of dividends distributed and the amount of shares bought back by the company, (ii) the presence of employee directors also has a negative and significant impact on the amount of dividends paid out by the company. These results clearly suggest that employee participation through shareholding and presence in governance bodies tends to moderate the redistribution of profits to shareholders alone. They provide a first basis for a proposal in favour of a negative relationship between the presence of employee shareholders and directors and the company’s profit redistribution policy. Empirically, by indicating that employee participation moderates the redistribution of wealth to shareholders, our results are in line with recent work advocating a balanced allocation of value to ensure company survival and development (Rajan & Zingales, 2004; Aglietta & Reberiou, 2005; Auvray *et al.*, 2016; Lazonick, 2018; Tulum & Lazonick, 2018). They suggest that the interests and time horizon of employee shareholders are aligned with a longer-term perspective, perhaps because of the minimum five-year lock-in period for shareholdings. Employee participation in corporate governance leads to preference being given to the profit retention for the benefit of the internal coalition

and the company itself. If profits are less distributed to external shareholders, they can be used more to self-finance the company's investment projects or to benefit the employees themselves. As employees contribute positively to performance, a virtuous circle is likely to emerge.

Ultimately, employee participation is not neutral: it contributes, all other things being equal, to sustaining and improving the performance of the company. It also makes it possible to influence cash distribution policy, by acting as a factor for moderation (or balancing) of the redistribution of profits to shareholders alone, the constant increase, or even abuse, of which is regularly denounced.

The empirical work presented here is part of a more general context of reflections on the mutation of shareholder capitalism, undertaken both at academic level (Auvray *et al.*, 2016; Crifo & Rebérioux, 2019) and at political level. In France, for example, the recent PACTE law (2019) led to several important changes to the French Civil Code and promoted a more inclusive form of capitalism, in the government's own words, notably by promoting and further developing employee savings mechanisms (Aubert & Bernheim, 2020). The political debate (see statements by the French Minister of the Interior or Prime Minister)¹⁰ also highlights employee savings and shareholding as major levers for the evolution of French capitalism: firstly, by encouraging managers and shareholders to change corporate governance, including cash redistribution policy; secondly, by offering each company the opportunity to establish a virtuous economic circle within its own organisation (Aubert *et al.*, 2009).

Beyond France's borders, strong statements such as those made by the CEO of Blackrock

(the world's largest asset manager) or the BRT (Business Roundtable, a powerful business lobby in the United States) point in the direction of a more partnership-based capitalism and governance. Thus, in France as elsewhere, avenues are being explored for a more balanced form of governance that could eventually lead to a less unbalanced distribution of profits. Indeed, very recent empirical studies show that employee profit sharing is a way of boosting productivity and thus company performance by increasing workplace cooperation, information sharing and employee engagement (see the meta-regression by Doucouliagos *et al.*, 2020). In the coming years, it will be interesting to observe the effects of employee participation on the performance and cash distribution policies of companies. Indeed, our results show noticeable effects in the period prior to the PACTE law, the intention of which is to rapidly promote employee participation in the capital and governance bodies of companies. Will the provisions set out by this law be such as to amplify these effects? Will increased employee share ownership (the target set by the PACTE law for 10% of French companies' capital to be held by their employees by 2030) and the systematic presence of employees on boards continue to boost company profitability? Will the effects observed in terms of profit sharing be confirmed or even accentuated? Beyond these issues, it will also be interesting to observe the effects of employee participation and cash distribution policy on the economic dynamism of companies, in terms of their ability both to grow and to innovate or develop. □

10. <https://www.lesechos.fr/economie-france/social/pourquoi-darmain-veut-relancer-le-chantier-de-la-participation-1205269>, <https://www.rtl.fr/actu/politique/emploi-jean-castex-pas-defavorable-au-deblocage-anticipe-de-l-interessement-7800772343>

BIBLIOGRAPHY

- Acharya, V., Myers S. & Rajan R. (2011).** The internal governance of firms, *Journal of Finance*, 66(3), 689–720. <https://doi.org/10.1111/j.1540-6261.2011.01649.x>
- Afep-MEDEF (2020).** *Code Afep- MEDEF révisé de gouvernement d'entreprise des sociétés cotées*, janvier. https://afep.com/wp-content/uploads/2020/01/Code-Afep_Medef-r%C3%A9vision-janvier-2020_-002.pdf.
- Aglietta, M. (2019).** *Capitalisme. Le temps des ruptures*. Paris: Odile Jacob.
- Aglietta, M. & Rebérioux, A. (2005).** *Corporate governance adrift: a critique of shareholder value*. Cheltenham, UK: Edward Elgar Publishing.
- Aoki, M. (1984).** *The co-operative game theory of the firm*. New York: Oxford University Press.
- Aoki, M. (1990).** Toward an economic model of the Japanese firm. *Journal of Economic Literature*, 28(1), 1–27. <https://www.jstor.org/stable/2727189>

- Arellano, M. & Bond, S. (1991).** Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations. *The Review of Economic Studies*, 58(2), 277–297. <https://doi.org/10.2307/2297968>
- Aubert, N. & Bernheim P. (2020).** What the PACTE law changes for employee savings and participation? *Bankers Markets and Investors*, in press. <https://hal.archives-ouvertes.fr/hal-02532708/>
- Aubert, N., Chassagnon, V. & Hollandts, X. (2016).** Actionnariat salarié, gouvernance et performance de la firme : une étude de cas économétrique portant sur un groupe français coté. *Revue d'Économie Industrielle*, 154, 151–176. <https://doi.org/10.4000/rei.6365>
- Aubert, N., Grand, B., Laped, A. & Rousseau, P. (2009).** Is employee ownership so senseless? *Finance*, 30(2), 5–29. <https://doi.org/10.3917/fina.302.0005>
- Aubert, N., Kern, A. & Hollandts, X. (2017).** Employee stock ownership and the cost of capital. *Research in International Business and Finance*, 41, 67–78. <https://doi.org/10.1016/j.ribaf.2017.04.007>
- Auvray, T., Dallery, T. & Rigot, S. (2016).** *L'entreprise liquidée. La finance contre l'investissement*. Paris: Michalon. <https://hal.archives-ouvertes.fr/hal-01380394>
- Balsmeier, B., Bermig, A. & Dilger, A. (2013).** Corporate governance and employee power in the boardroom: An applied game theoretic analysis. *Journal of Economic Behavior & Organization*, 91, 51–74. <https://doi.org/10.1016/j.jebo.2013.04.004>
- Blasi, J., Freeman, R. & Kruse, D. (2016).** Do broad-based employee ownership, profit sharing and stock options help the best firms do even better? *British Journal of Industrial Relations*, 54(1), 55–82. <https://doi.org/10.1111/bjir.12135>
- Blasi, J. R., Kruse, D. & Bernstein, A. (2003).** *In the company of owners: The truth about stock options (and why every employee should have them)*. New York: Basic Books.
- Blair, M. M. (1999).** Firm-specific human capital and theories of the firm. In: M. M. Blair & M. J. Roe (Ed.), *Employees and Corporate Governance*, Ch 2. Washington, DC: Brookings Institution Press.
- Blair, M. M. (2012).** In the best interest of the corporation: Directors' duties in the wake of the global crisis. In: T. Clarke & D. Branson (Ed.), *The SAGE Handbook of Corporate Governance*, Ch. 2. Washington, DC: SAGE.
- Blundell, R. & Bond, S. (1998).** Initial conditions and moment restrictions in dynamic panel data models. *Journal of econometrics*, 87(1), 115–143. [https://doi.org/10.1016/S0304-4076\(98\)00009-8](https://doi.org/10.1016/S0304-4076(98)00009-8)
- Boatright, J. R. (2004).** Employee governance and the ownership of the firm. *Business Ethics Quarterly*, 14(1), 1–21. <https://www.jstor.org/stable/3857770>
- Boutier, K. (2019).** Participation, intéressement et épargne salariale en 2017. *Dares Résultats* N° 036. <https://dares.travail-emploi.gouv.fr/publications/participation-interessement-et-epargne-salariale-en-2017>
- Cameron, A. & Trivedi, P. (2005).** *Microeconometrics: Methods and applications*. Cambridge: Cambridge University Press.
- Cavaco, S., Crifo, P., Rebérioux, A. & Roudaut, G. (2017).** Independent directors: Less informed but better selected than affiliated board members? *Journal of Corporate Finance*, 43, 106–121. <https://doi.org/10.1016/j.jcorpfin.2017.01.004>
- Charléty, P. (2018).** L'activisme actionnarial dans l'assemblée générale : quels bénéfices pour les actionnaires et les entreprises ? *Revue d'Économie Financière*, 2(130), 195–221. <https://doi.org/10.3917/ecofi.130.0195>
- Crifo, P. & Rebérioux, A. (2019).** *La participation des salariés : du partage d'information à la codétermination*. Paris : Presses de Sciences Po. <https://www.pressesdesciencespo.fr/fr/book/?gcoi=27246100262630>
- Cotis, J.-P. (2009).** Partage de la valeur ajoutée, partage des profits et écarts de rémunérations en France. Rapport au Président de la République. Insee. <https://www.vie-publique.fr/sites/default/files/rapport/pdf/094000213.pdf>
- Derouiche, I. (Ed.) (2013).** *Quel rôle pour le conseil d'administration dans la détention de liquidités ? Cas des entreprises françaises cotées*. Paris: Lavoisier.
- Desbrières, P. (2002).** Les actionnaires salariés. *Revue Française de Gestion*, 5(141), 255–281. <https://www.cairn.info/revue-francaise-de-gestion-2002-5-page-255.htm>
- Doucouliafos, H., Laroche, P., Kruse, D. & Stanley, T. (2020).** Is Profit Sharing Productive? A Meta-Regression Analysis. *British Journal of Industrial Relations*, 58(2), 364–395. <https://doi.org/10.1111/bjir.12483>
- Driver, C., Grosman, A. & Scaramozzino, P. (2020).** Dividend policy and investor pressure. *Economic Modelling*, 89, 559–576. <https://doi.org/10.1016/j.econmod.2019.11.016>
- EFES – European Federation of Employee Share Ownership (2018).** Economic survey of employee share ownership in European countries in 2018. <http://www.efesonline.org/Annual%20Economic%20Survey/2018/Presentation.htm> (Accessed 18/12/2019)
- Faleye, O., Mehrotra, V. & Morck, R. (2006).** When labor has a voice in corporate governance. *Journal of Financial and Quantitative Analysis*, 41(3), 489–510. <https://doi.org/10.1017/S0022109000002519>

- Fama, E. F. & Jensen, M. C. (1983).** Separation of ownership and control. *The Journal of Law and Economics*, 26(2), 301–325. <https://www.journals.uchicago.edu/doi/abs/10.1086/467037>
- Fauver, L. & Fuerst, M. E. (2006).** Does good corporate governance include employee representation? Evidence from German corporate boards. *Journal of Financial Economics*, 82(3), 673–710. <https://doi.org/10.1016/j.jfineco.2005.10.005>
- Germain, L. & Lyon-Caen, C. (2016).** Do we need employee representation on the board of directors? *SSRN working papers*. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2729708
- Ginglinger, E., Megginson, W. & Waxin, T. (2011).** Employee ownership, board representation and corporate financial policies. *Journal of Corporate Finance*, 17(4), 868–887. <https://doi.org/10.1016/j.jcorpfin.2011.03.005>
- Gomez, P.-Y. (2019).** *L'esprit malin du capitalisme. Comprendre la crise qui vient*. Paris: Desclée De Brouwer.
- Gorton, G. & Schmid, F. A. (2004).** Capital, labor, and the firm: A study of German codetermination. *Journal of the European Economic Association*, 2(5), 863–905. <https://doi.org/10.1162/1542476042782260>
- Goodijk, R. (2000).** Corporate governance and workers' participation. *Corporate Governance: An International Review*, 8(4), 303–310. <https://doi.org/10.1111/1467-8683.00209>
- Guedri, Z. & Hollandts, X. (2008).** Beyond dichotomy: The curvilinear impact of employee ownership on firm performance. *Corporate Governance: an International Review*, 16(5), 460–474. <https://doi.org/10.1111/j.1467-8683.2008.00703.x>
- Hart, O. (1995).** *Firms, contracts, and financial structure*. New York: Oxford University Press – Clarendon Press.
- Holmström, B. & Milgrom, P. (1994).** The firm as an incentive system. *The American Economic Review*, 84(4), 972–991. <https://www.jstor.org/stable/i337079>
- Hollandts, X., Guedri, Z. & Aubert, N. (2009).** Représentation du travail au CA et performance de l'entreprise : une étude empirique sur le SBF 250 (2000-2005). In: M.-N. Auberger & A. Conchon (Ed.), *Les administrateurs salariés et la gouvernance d'entreprise*. Paris: La Documentation Française. <https://hal.archives-ouvertes.fr/hal-01989060/document>
- Hollandts, X. & Aubert, N. (2019).** La gouvernance salariale : contribution de la représentation des salariés à la gouvernance d'entreprise. *Finance Contrôle Stratégie*, 22 (1). <https://doi.org/10.4000/fcs.3256>
- Jensen, M. C. & Meckling, W. H. (1976).** Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics* 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Jensen, M. C. & Meckling, W. H. (1979).** Rights and production functions: An application to labor-managed firms and codetermination. *The Journal of Business*, 52(4), 469–506. <https://www.jstor.org/stable/2352442>
- Jensen, M. C. & Meckling, W. H. (1995).** Specific and general knowledge, and organizational structure. *Journal of Applied Corporate Finance*, 8(2), 4–18. <https://doi.org/10.1111/j.1745-6622.1995.tb00283.x>
- Jones, D. C. & Kato, T. (1995).** The productivity effects of employee stock-ownership plans and bonuses: evidence from Japanese panel data. *American Economic Review*, 85(3), 391–414. <https://www.jstor.org/stable/2118180>
- Kim, K. Y. & Patel, P. C. (2017).** Employee ownership and firm performance: A variance decomposition analysis of European firms. *Journal of Business Research*, 70, 248–254. <https://doi.org/10.1016/j.jbusres.2016.08.014>
- Kruse, D. L. (1996).** Why do firms adopt profit-sharing and employee ownership plans? *British Journal of Industrial Relations*, 34(4), 515–538. <https://doi.org/10.1111/j.1467-8543.1996.tb00488.x>
- Lazonick, W. (2018).** The functions of the stock market and the fallacies of shareholder value. In: C. Driver & G. Thompson (Ed.), *Corporate Governance in Contention*, Ch. 6. New York: Oxford University Press.
- Lazonick, W. & O'sullivan, M. (2000).** Maximizing shareholder value: a new ideology for corporate governance. *Economy and society*, 29(1), 13–35. <https://doi.org/10.1080/030851400360541>
- Mahoney, J. T. & Kor, Y. (2015).** Advancing the human capital perspective on value creation by joining capabilities and governance approaches. *Academy of Management Perspectives*, 29(3), 296–308. <https://doi.org/10.5465/amp.2014.0151>
- Nekhili, M., Boukadhaha, A., Nagati, H. & Chtioui, T. (2019).** ESG performance and market value: the moderating role of employee board representation. *The International Journal of Human Resource Management*, 1–27. <https://doi.org/10.1080/09585192.2019.1629989>
- Notat, N. & Senard, J.-D. (2018).** L'entreprise, objet d'intérêt collectif. Rapport aux Ministres de la Transition écologique et solidaire, de la Justice, de l'Economie et des Finances, du Travail. 9 mars 2018. https://www.economie.gouv.fr/files/files/PDF/2018/entreprise_objet_interet_collectif.pdf
- O'Boyle, E. H., Patel, P. C. & Gonzalez-Mulé, E. (2016).** Employee ownership and firm performance: a meta-analysis. *Human Resource Management Journal*, 26(4), 425–448. <https://doi.org/10.1111/1748-8583.12115>

- Rajan, R. G. & Zingales, L. (2004).** *Saving capitalism from the capitalists: Unleashing the power of financial markets to create wealth and spread opportunity*. Princeton: Princeton University Press.
- Robinson, A. M. & Zhang, H. (2005).** Employee share ownership: safeguarding investments in human capital. *British Journal of Industrial Relations*, 43(3), 469–488. <https://doi.org/10.1111/j.1467-8543.2005.00365.x>
- Shleifer, A. & Vishny, R. W. (1997).** A survey of corporate governance. *Journal of Finance*, 52(2), 737–783. <https://doi.org/10.1111/j.1540-6261.1997.tb04820.x>
- Trabelsi, D., Aziz, S. & Lilti, J. (2019).** A behavioral perspective on corporate dividend policy: evidence from France. *Corporate Governance*, 19(1), 102–119. <https://doi.org/10.1108/CG-02-2018-0077>
- Tulum, Ö. & Lazonick, W. (2018).** Financialized corporations in a national innovation system: The US pharmaceutical industry. *International Journal of Political Economy*, 47(3-4), 281–316. <https://doi.org/10.1080/08911916.2018.1549842>
- Verninnem.net (2020).** Dividendes et rachats d'actions en 2019. *La Lettre Verninnem* N° 175. https://www.verninnem.net/Lire/Lettre_Verninnem/Lettre_175.html
- Wang, H. C., He, J. & Mahoney, J. T. (2009).** Firm-specific knowledge resources and competitive advantage: the roles of economic-and relationship-based employee governance mechanisms. *Strategic Management Journal*, 30(12), 1265–1285. <https://doi.org/10.1002/smj.787>
- Wintoki, M. B., Linck, J. S. & Netter, J. M. (2012).** Endogeneity and the dynamics of internal corporate governance. *Journal of Financial Economics*, 105(3), 581–606. <https://doi.org/10.1016/j.jfineco.2012.03.005>
- Wooldridge, J. M. (2010).** *Econometrics analysis of cross section and panel data*. Cambridge, MA. and London: The MIT Press
-

Table A2-1 – Influence of employee shareholding on cash redistribution in year n , with a lag from 1 to 3 years of the variable of interest

A – Dividend payouts

	(5)	(5a)	(5b)
Dividend payout*	0.695 *** (0.0255)	0.582 *** (0.0298)	0.563 *** (0.0313)
Dividend payout**		0.172 *** (0.0262)	0.235 *** (0.0353)
Dividend payout***			-0.0747 ** (0.0338)
Employee share ownership	-192.2 *** (42.59)	-192.7 *** (40.60)	-246.9 *** (48.87)
Employee directors	-12.36 ** (6.034)	-13.29 ** (6.123)	-12.46 ** (6.286)
Dual structure	394.4 *** (72.75)	428.5 *** (71.14)	452.4 *** (73.51)
Independent directors	4.287 *** (1.317)	3.487 *** (1.293)	2.157 (1.410)
Female directors	0.404 (1.558)	0.182 (1.503)	1.218 (1.583)
Assets	166.1 *** (35.25)	-177.3 *** (34.92)	-183.3 *** (37.64)
Turnover	0.00416 *** (0.00107)	0.00432 *** (0.00102)	0.00430 *** (0.00106)
EBITDA	-0.0374 * (0.0203)	-0.0411 ** (0.0194)	-0.0403 ** (0.0202)
Debt	-0.0680 (0.370)	-0.0388 (0.354)	-0.0568 (0.363)
Length of time since IPO	13.21 * (7.037)	12.52 * (6.843)	24.69 *** (8.752)
Business sector	-748.9 *** (88.05)	-779.3 *** (84.88)	-941.0 *** (105.2)
Constant	-19,104 (13,954)	-17,355 (13,573)	-40,512 (17,274)
AR(1)	-2.04(p=0.00)	-2.07 (p=0.00)	-2.09 (p=0.00)
AR(2)	1.15(p=0.31)	0.45 (p=0.61)	0.61 (p=0.43)
Sargan	1	0.99	1
Number of observations	1,066	1,066	1,066
Number of companies	82	82	82

B – Share buybacks			
	(7)	(7a)	(7b)
Share buybacks*	0.0328 ** (0.0279)	-0.0233 ** (0.0291)	-0.0412 ** (0.0302)
Share buybacks**		-0.204 ** (0.0307)	-0.205 ** (0.0326)
Share buybacks***			-0.253 ** (0.0786)
Employee share ownership	-36.56 * (26.66)	-34.85 * (27.05)	-31.55 * (27.92)
Employee directors	1.206 (6.043)	-1.627 (6.438)	-1.555 (6.609)
Dual structure	52.03 (73.91)	21.82 (75.88)	-6.587 (78.03)
Independent directors	2.315 * (1.322)	2.920 ** (1.359)	3.046 ** (1.455)
Female directors	-3.268 ** (1.477)	-4.029 *** (1.492)	-4.022 *** (1.560)
Assets	4.419 (32.65)	-25.72 (34.60)	-67.83 * (40.24)
Turnover	-0.000179 (0.00151)	0.000825 (0.00154)	0.000522 (0.00158)
EBITDA	-0.0129 (0.0203)	-0.0277 (0.0204)	-0.0315 (0.0212)
Debt	-0.0868 (0.371)	-0.00640 (0.372)	-0.0433 (0.381)
Length of time since IPO	5.126 (4.881)	8.051 (5.027)	13.14 ** (5.452)
Business sector	108.7 ** (46.63)	138.1 *** (46.89)	149.5 *** (48.55)
Constant	-10,874 (9,597)	-16,097 (9,882)	-25,235 (10,661)
AR(1)	-6.54 (p=0.00)	-7.12 (p=0.00)	-6.92 (p=0.00)
AR(2)	0.58 (p=0.51)	1.51 (p=0.27)	0.54 (p=0.49)
Sargan	0.99	1	1
Number of observations	1,066	1,066	1,066
Number of companies	82	82	82

* One year lag. ** Two year lag.*** Three year lag.

Notes: ***significant at 1%, **significant at 5%, *significant at 10%. Standard deviations in brackets.

Table A2-2 – Results of GMM regressions testing the differential effect of the type of employee representation (employee shareholders or employees). One-year lag in the variable of interest (Dividend payouts or share buybacks)

	Dividend payouts		Share buybacks	
	(5c)	(5d)	(7c)	(7d)
Dividend payouts*	0.682 *** (0.0251)	0.680 *** (0.0251)		
Share buybacks*			0.299 *** (0.0278)	0.297 *** (0.0278)
Dual structure	461.8 *** (71.13)	460.6 *** (71.17)	49.49 (73.87)	45.58 (73.68)
Independent directors	4.163 *** (1.304)	4.167 *** (1.304)	2.233 * (1.320)	2.292 * (1.319)
Female directors	0.804 (1.533)	0.846 (1.532)	-3.376 ** (1.477)	-3.175 ** (1.465)
Employee shareholder directors	-7.631 (70.50)		-80.34 (65.86)	
Employee directors		-90.92 (54.68)		-12.93 (55.51)
Assets	-192.5 *** (35.24)	-193.8 *** (34.67)	35.13 (29.30)	26.40 (28.40)
Turnover	0.00436 *** (0.00107)	0.00415 *** (0.00107)	-0.000156 (0.00151)	-0.000136 (0.00151)
EBITDA	-0.0259 (0.0200)	-0.0260 (0.0200)	-0.0177 (0.0201)	-0.0160 (0.0200)
Debt	-0.0801 (0.369)	-0.0872 (0.369)	-0.0902 (0.371)	-0.0911 (0.371)
Length of time since IPO	0.320 (6.467)	0.428 (6.395)	8.422 * (4.437)	7.670 * (4.410)
Business sector	-417.7 *** (47.02)	-409.6 *** (46.90)	57.34 * (32.98)	62.28 * (32.68)
Constant	5,185 (12,961)	4,983 (12,802)	-17,791 (8,645)	-16,127 (8,575)
AR(1)	-1.82 (p=0.00)	-2.15 (p=0.00)	-2.07 (p=0.00)	-2.11 (p=0.00)
AR(2)	0.38 (p=0.35)	0.75 (p=0.33)	1.11 (p=0.25)	1.46 (p=0.22)
Sargan	0.99	0.99	1	1
Number of observations	1,066	1,066	1,066	1,066
Number of companies	82	82	82	82

* One year lag.

Notes: ***significant at 1%, **significant at 5%, *significant at 10%. Standard deviations in brackets.

Table A2-3 – Results of GMM regressions testing the effect of employee shareholding on other company performance indicators

	Net result	Tobin's Q	Net cash
Net result*	0.103 *** (0.0248)		
Tobin's Q*		0.202 *** (0.0303)	
Net cash*			0.453 *** (0.0339)
Employee share ownership	0.168 *** (0.0498)	0.620 *** (0.142)	0.134 * (0.0921)
Dual structure	0.0383 *** (0.0142)	-0.0274 * (0.0158)	0.0917 *** (0.0248)
Independent directors	0.102 (0.180)	0.116 (0.215)	0.0606 (0.313)
Female directors	0.00540 (0.00295)	-0.00509 (0.00350)	0.00264 (0.00547)
Employee directors	0.000169 (0.00341)	0.0150 * (0.00335)	0.00898 * (0.00541)
Assets	0.372 *** (0.0923)	-0.267 ** (0.106)	0.944 *** (0.127)
Turnover	0.000044 (0.00038)	-0.00026 (0.00045)	-0.00029 (0.00075)
EBITDA	-0.00035 (0.0004)	-0.0008 ** (0.00038)	0.000131 * (0.00072)
Debt	0.000907 (0.000797)	0.000368 (0.000982)	0.000841 (0.00155)
Length of time since IPO	0.00162 (0.00595)	-0.0280 (0.0247)	0.0700 *** (0.0146)
Business sector	0.382 *** (0.0998)	-0.224 (0.173)	0.158 (0.355)
Constant	1.118 (11.56)	65.54 (49.85)	-147.7 * (29.60)
AR(1)	-1.71 (p=0.00)	-1.61 (p=0.00)	-1.82 (p=0.00)
AR(2)	0.72 (p=0.33)	0.82 (p=0.26)	0.86 (p=0.25)
Sargan	0.99	0.99	0.99
Number of observations	1,105	1,105	1,105
Number of companies	85	85	85

* One year lag.

Notes: ***significant at 1%, **significant at 5%, *significant at 10%. Standard deviations in brackets.

