Title: WHOSE INTERESTS ARE BEING SERVED? OWNERS, EMPLOYEES AND THE FRAYING EMPLOYMENT RELATIONSHIP

Abstract

Since the early 1980s, employment in the US has undergone significant transformation as the large corporations who once safeguarded employees with stable jobs and rewards for loyalty have replaced these employment relationships with ones based on cost containment and flexibility. One increasingly popular explanation for this transformation is that shareholder pressures have motivated firms to reconfigure their employment relationships. I add to this growing stream of research by examining how the power and interests of different owners lead to the restructuring of employment relationships by examining the decline of a highly institutionalized practice that large US firms used to promote stable, long-term employment relationships – the defined benefit (DB) pension plan. Borrowing from the sociological literature on relationship closure and economic literature on pensions, I argue that a firm’s choice in retirement arrangements provides a unique glimpse into the degree to which a firm’s employment relationship is structured to be long-term. I hypothesize that firms’ utilization of DB plans results from firm-level power differentials between owners and employees. I demonstrate empirically that different types of owners have differential effects on firms' retirement practices, thereby drawing a direct link between shareholder influence and changes to employment relationship. The results also show that restrictions on owner power and employee power help protect stable, long-term employment relationships.