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Working in Family Firms: Less Paid but More Secure? Evidence from French Matched Employer-Employee Data
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Abstract:
We study compensation packages in family and non-family firms. Using matched employer-employee data for a representa sample of French establishments, we first show that family firms pay on average lower wages to their workers. We find tha of this wage gap is due to differences in unobserved characteristics of workers across family and non-family firms. However also find evidence that company wage policies differ according to ownership status, so that workers staying in the same fir enjoy on average a 3% pay increase when a family firm becomes non-family owned and suffer a similar pay drop when the ownership transition occurs the other way round. In contrast, we find evidence that family firms are characterised by lower j insecurity, as measured by dismissal rates and by the subjective risk of dismissal perceived by workers. In addition, family firms appear to rely less on dismissals – and more on hiring reductions – than non-family firms when they downsize. We sl that compensating wage differentials account for a substantial part of the inverse relationship between the family/non-family gaps in wages and job security.

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Back