

Capital markets, corporate governance, and labour market flexibility: Evidence from OECD countries

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ABSTRACT

Drawing from various literatures, this article explores links between equity markets, corporate governance, and labour market flexibility. Such linkages are set against alternative explanations of labour market flexibility which relate to other markets, institutions, and culture. Various data sources are used to test relationships for a set of OECD countries. The results are mixed: equity markets are associated with job tenure and activity rates, but not with other forms of employment flexibility such as part-time working. They are also associated with the use of equity-based rewards and with pay dispersion. Other influences such as product markets, government and industrial relations institutions, and national culture are associated with other dimensions of flexibility. Nevertheless, the paper shows that equity markets are an important determinant of some aspects of labour flexibility

