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RESEARCH ARTICLE

Financialisation and the management of people: Are leveraged buyouts bad for intrinsic job quality?

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Abstract

This paper provides the first nationally representative assessment of intrinsic job quality in leveraged buyouts (LBOs). We propose a workforce re-contracting perspective, which views LBOs as having negative implications for some aspects of intrinsic job quality (job demands) but positive implications for others (job resources), and employee wellbeing and affective outcomes that are no different than in comparable non-LBOs. Our empirical findings support this perspective. Nevertheless, we find some evidence that certain LBO types have more negative implications for specific elements of intrinsic job quality than others. However, our overall findings contribute towards studies suggesting that the impact of LBOs on employees is modest, while also highlighting the varying implications of different LBO types for employees.

KEYWORDS
commitment, financialisation, job quality, job satisfaction, leveraged buyout, participation

Abbreviations: ITUC, International Trade Union Confederation; IUF, The International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations; OECD, Organisation for Economic Co-operation and Development; PSE, Party of European Socialists.
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1 | INTRODUCTION

Although the effects of financial markets on human resource management (HRM) were overlooked for many years, research exploring the implications of financialisation has recently started to address this issue (Thompson, 2013). Studies have linked financialisation (defined as the rising levels of influence that financial market institutions exert over firms) to negative trends including employment insecurity, wage dispersion, trade union decline, and lower job quality (Appelbaum & Batt, 2014; Freeman, 2010; Kochan, 2012; Stiglitz, 2015).

One stream of the financialisation literature has focussed on the HRM consequences of leveraged buyouts (LBOs) (Appelbaum & Batt, 2014; Thompson, 2013, p. 474). Leveraged buyouts involve the acquisition of firms (or divisions of firms) by specialist equity and debt providers (often Private Equity (PE) funds), using debt secured against the acquired firm's assets and/or future cash flows, with a view to improving performance before future sale after 5 years on average (Wright et al., 2018). Prominent LBOs in the last 20 years include Alliance Boots, Burger King, Hertz, Hilton Hotels, MGM, and Yell Group. PE-backed firms now account for more than 10 percent of private sector employment in the US and UK (American Investment Council, 2021; British Venture Capital Association, 2021).

However, the research regarding the HRM implications of LBOs is somewhat mixed in its conclusions. Case study analysis has identified significant layoffs and wage reductions in certain instances (Appelbaum & Batt, 2014; IUF et al., 2007; Pendleton et al., 2014), thus supporting the disconnected capitalism view of financialisation as disrupting established employment relationships (Thompson, 2013), and also supporting labour movement calls for the increased regulation of PE (PSE, 2007). However, research using nationally-representative data is less conclusive, showing that changes to employment and wages following LBOs are relatively modest (Amess & Wright, 2007, 2012; Davis et al., 2014, 2019).

A further debate regarding the human resource consequences of LBOs concerns their implications for intrinsic job quality, including work intensity, time pressure, job autonomy and participative decision-making (Appelbaum & Batt, 2014). A common starting point in understanding this matter is wealth transfer theory. This regards firms as a nexus of contracts, many of which are implicit in nature, and suggests that post-buyout, new owners will extract rents from the workforce by abrogating long-term implicit contracts (Shleifer & Summers, 1988). Supporting this argument, several case studies highlight examples of work intensification following LBO operational restructuring (Appelbaum & Batt, 2014; Appelbaum et al., 2013; Boselie & Koene, 2010; Clark, 2016; Goergen et al., 2014; ITUC, 2007; Pendleton et al., 2014; Watt, 2008). However, research on other aspects of job quality suggests a more positive picture, with Bacon et al. (2013) identifying the introduction of greater job autonomy and employee participation in decision-making in LBOs pursuing a long-term 'buy and build' approach (Wright et al., 2001).

We seek to explain these mixed findings by developing a 'workforce re-contracting' perspective as a counterpoint to wealth transfer theory. The workforce re-contracting perspective hypothesises that while LBOs impose higher job demands on employees than non-LBOs, they also provide higher job resources, thus levels of employee wellbeing and affective outcomes in LBOs would be expected to be no different (consistent with Karasek's (1979) job demands-resources (JD-R) model). As such, while workforce re-contracting implies a significant change to the nature of implicit contracts, it does not (unlike wealth transfer theory) imply a worsening. Adding to prior studies exploring the implications of LBO heterogeneity for employees (Appelbaum & Batt, 2014; Bacon et al., 2013; Rodrigues & Child, 2010; Wood & Wright, 2009, 2010), we also develop hypotheses regarding the LBO types in which the workforce re-contracting perspective rather than wealth transfer theory would be expected to hold.

Responding to calls for quantitative assessments of job quality in LBOs to complement the existing case study research (Appelbaum & Batt, 2014, p. 194), we then test the hypotheses using a unique British dataset, which we create by matching data from the Centre for Management Buyout Research (CMBOR) into the Workplace Employment Relations Study (WERS). We thereby offer the first nationally-representative quantitative analysis of employees' intrinsic job quality in LBOs compared to non-LBOs.

2 | INTRINSIC JOB QUALITY IN LEVERAGED BUYOUTS AND NON-LBOS

Intrinsic job quality is understood within the academic literature (Guest, 2017) and elsewhere (see: Cazes et al. (2015) regarding the OECD) with reference to the combination of job demands and job resources as proposed within Karasek's (1979) JD-R model. This model proposes that a combination of high job demands (e.g., work intensity, time pressure) and low job resources (e.g., limitations to job discretion and participative decision-making) will result in high strain, low-quality jobs. However, if high job demands are matched by high job resources, high strain (and hence low job quality) will not occur. The model has received empirical support within prior research (Bakker & Demerouti, 2017; Lesener et al., 2019).

Consistent with the JD-R model, wealth transfer theory (Shleifer & Summers, 1988) suggests that LBOs will impact intrinsic job quality negatively, as new owners will seek to extract rents from the workforce by increasing job demands while not increasing (or reducing) job resources. The labour movement has argued that where buyouts are led by outsiders (PE funds, for example) who lack emotional bonds to the acquired firms' workforce, they will be motivated by the prospect of personal financial gain to seek short-term efficiencies while restricting expenditure on the workforce due to high indebtedness (PSE, 2007). This will often involve a top-down command and control approach to intensify work processes (Appelbaum et al., 2013), which in turn implies reductions to employee discretion and participation in decision-making. This suggests higher job demands but lower job resources in LBOs than in non-LBOs. Poorer employee wellbeing and affective outcomes would also be anticipated.

Reflecting this, case studies report increases in work intensity and time pressure in LBOs (Appelbaum & Batt, 2014; Boselie & Koene, 2010; Clark, 2016; Goergen et al., 2014; ITUC, 2007; PSE, 2007; Rodrigues & Child, 2010, p. 1327). For example, Clark (2016) reports that post-buyout, employees at the Automobile Association were subject to increased workloads and unpaid overtime, including extended last job working. Case studies also report reductions in employee discretion (Appelbaum et al., 2013; Rodrigues & Child, 2010, p. 1331) and participation in decision-making, with employers disappearing 'behind closed doors' (IUF et al., 2007, p. 25) to make 'key decisions … often prior to contact with key stakeholders' (Appelbaum et al., 2013, p. 515). Others argue that LBOs result in 'unbearable stress for some employees' (Rodrigues & Child, 2010, p. 1327), and 'problems with staff morale' (Clark, 2016, p. 250). Indeed, Kochan (2012, p. 14) attributes declining job satisfaction rates in the economy overall in part to the effects of financialisation such as LBO activity.

However, other case studies find that not all aspects of intrinsic job quality are poorer in LBOs, particularly regarding job resources. For example, NXP Semiconductors, Gondola and ISS upgraded operations post-buyout to support long-term growth strategies, which resulted in expanded job roles and greater employee participation (Bacon et al., 2013). Quantitative studies also report higher job discretion and participation in LBOs than in non-LBOs (Amess et al., 2007), often attributed to reductions in supervisory staff (see: Siegel & Simons, 2010). In addition, research has found increases in consultation with employee representatives post-buyout (Bacon et al., 2010, 2013).

This in turn calls into question how far wealth transfer theory adequately explains job quality in LBOs compared to non-LBOs. As an alternative, therefore, we propose a 'workforce re-contracting' perspective. This starts from the view, drawing on Siegel and Simons' (2010) human capital matching theory, that LBOs match underperforming firms with executives who possess the experience and skills necessary to improve performance. For example, PE partners, as active investors, join the acquired firm's board to oversee the implementation of operational changes. They also appoint executives with proven track records of managing LBOs, and draw on support from external functional experts and advisers to inject appropriate industry, operational, or turnaround expertise.

This in turn increases the likelihood of operational upgrades being implemented in the acquired firm (Hoskisson et al., 2013; Matthews et al., 2009) including 'modern management technologies' (Bloom et al., 2015, p. 442) such as management delayering and the introduction of lean techniques (Agrawal & Tambe, 2016; Bacon et al., 2004, 2008; Boselie & Koene, 2010; Siegel & Simons, 2010). Although such approches imply higher job demands in the form of higher work intensity, they also often afford employees greater job resources, including decentralised decision-making, higher job discretion and greater participation (Amess et al., 2007; Bacon et al., 2010, 2013). This

implies that both job demands and job resources will be higher in LBOs than in non-LBOs, and consistent with the JD-R model (Bakker & Demerouti, 2017; Karasek, 1979; Lesener et al., 2019), that employee wellbeing and affective outcomes (job-related mental health, job satisfaction and commitment, for example) in LBOs and non-LBOs will be no different. This suggests a reformulation, rather than an abrogation, of long-term implicit contracts with the workforce.

Hence, we hypothesise:

Hypothesis 1. Compared to employees in non-LBOs, employees in LBOs report: (a) higher job demands (work intensity/ time pressure); (b) higher job resources (job discretion/ participation); and (c) equivalent job-related mental health, job satisfaction and commitment.

2.1 | Leveraged buyout heterogeneity

As prior studies suggest, different LBO types may have varying employment implications (Appelbaum & Batt, 2014; Bacon et al., 2013; Rodrigues & Child, 2010; Wood & Wright, 2009, 2010). Leveraged buyouts vary regarding whether they are financed and led by either teams of insiders or outsiders; whether they represent a long- or short-term ownership commitment; and also regarding levels of debt (see: Bacon et al., 2013). Reflecting this variation, certain LBO types, in particular outsider-led (particularly PE) deals, short-hold LBOs (quick flips), and high-debt deals, have attracted particular concern. The implications of each of these LBO types for intrinsic job quality are considered below.

Turning first to outsider-led deals, these include PE LBOs involving the acquisition of firms by PE funds who either buy firms with a view to managing them directly, or provide financial backing for incumbent managers to acquire the firm; and Management Buy-Ins (MBIs) where the firm is acquired by an external management team. Wealth transfer theory suggests that both PE LBOs and MBIs will have particularly negative job quality implications, given that outsiders who lack emotional bonds to the workforce will be particularly willing to abrogate implicit contracts for personal financial gain (Appelbaum et al., 2013; Shleifer & Summers, 1988). Consistent with this, studies show greater employment reductions in outsider than insider LBOs (Amess & Wright, 2007), and suggest greater work intensification (Goergen et al., 2014).

However, the workforce re-contracting perspective argues that the job quality implications of outsider LBOs may be less clear-cut than wealth transfer theory suggests. This is because while incoming management teams will likely impose high job demands to seek efficiency improvements, they might also provide additional job resources. Consistent with human capital matching theory (Siegel & Simons, 2010), the injection of expertise from incoming PE partners and/or MBI executives (as well as newly-appointed executives) with turnaround experience increases the likelihood of operational upgrades in the acquired firm such as the introduction of modern management technologies (Bacon et al., 2004, 2008; Bloom et al., 2015; Lichtenberg & Siegel, 1990). This in turn suggests job resources (job discretion and participative decision-making) as well as job demands will be higher than in non-LBOs. Also, consistent with the JD-R model, employee wellbeing and affective outcomes would be anticipated to be no lower.

Therefore, we hypothesise:

Hypothesis 2a. Compared to employees in non-LBOs, employees in PE LBOs report: (i) higher job demands; (ii) higher job resources; and (iii) equivalent job-related mental health, job satisfaction and commitment.

Hypothesis 2b. Compared to employees in non-LBOs, employees in MBIs report: (i) higher job demands; (ii) higher job resources; and (iii) equivalent job-related mental health, job satisfaction and commitment.

However, a different picture is anticipated in insider LBOs (management buyouts [MBOs] led by incumbent managers and non-PE LBOs). As with outsider LBOs, high job demands would be expected, given that incumbent managers will likely possess inside knowledge of inefficiencies, which they will be motivated to address by the

prospect of personal financial enrichment (Jensen, 1986). Nevertheless, neither MBOs nor non-PE LBOs gain injections of outside expertise; hence, they will be less likely to implement operational upgrades and modern management technologies, suggesting job resources will not increase (although residual loyalty to the workforce might prevent them from being reduced). This suggests that while job demands will be higher in insider LBOs than in non-LBOs, job resources will not, and employee wellbeing and affective outcomes would be anticipated to be poorer.

Therefore, we hypothesise.

Hypothesis 2c. Compared to employees in non-LBOs, employees in non-PE LBOs report: (i) higher job demands; (ii) equivalent job resources; and (iii) poorer job-related mental health, job satisfaction and commitment.

Hypothesis 2d. Compared to employees in non-LBOs, employees in MBOs report: (i) higher job demands; (ii) equivalent job resources; and (iii) poorer job-related mental health, job satisfaction and commitment.

Turning to length of hold, concerns have been raised regarding the job quality implications of short-hold 'quick flips', which involve sale of the LBO within 2 years of initial acquisition (Gurung & Lerner, 2008: viii). Wealth transfer theory suggests quick flips will seek rapid efficiency improvements to secure a profitable sale, and thereby impose high job demands via 'harsh management practices that exploit them [employees] to the fullest' (ITUC, 2007, pp. 8–9). The top-down command and control approach this implies also suggests lower job resources than in non-LBOs. Employee wellbeing and affective outcomes would also be anticipated to be lower.

However, despite their portrayal as short-term investments, LBOs are held on average for more than 5 years (Strömberg, 2008)—longer than institutional investors typically hold listed company stocks. Long-hold LBOs are subject to less pressure to introduce efficiencies in a short timeframe and thus have greater scope to implement operational upgrades as part of a 'buy and build' approach (Wright et al., 2001). Consistent with workforce re-contracting, such upgrades are likely to encompass increases in both job demands and job resources, both of which would be expected to be higher in LBOs than in non-LBOs. Employee wellbeing and affective outcomes would also be expected to be no lower. Therefore, we hypothesise:

Hypothesis 3a. Compared to employees in non-LBOs, employees in short-hold LBOs report: (i) higher job demands; (ii) lower job resources; and (iii) poorer job-related mental health, job satisfaction and commitment.

Hypothesis 3b. Compared to employees in non-LBOs, employees in long-hold LBOs report: (i) higher job demands; (ii) higher job resources; and (iii) equivalent job-related mental health, job satisfaction and commitment.

Finally, regarding debt, wealth transfer theory suggests that all LBOs incur high debt, and this will incentivise contract abrogation (Appelbaum & Batt, 2014). Reflecting this, unions argue that paying-off debt 'adds to the urgency of squeezing the workers who remain on the payroll' (ITUC, 2007, p. 29), and given this, 'the physical demands on the workforce increase' (IUF et al., 2007, p. 10). Case studies have also identified debt as a primary cause of cost-cutting and work intensification (Appelbaum et al., 2013; Clark, 2016). The urgency to pay down debt quickly is also likely to encourage work intensification via a top-down command and control approach rather than greater job discretion and participation. This implies job demands will be higher but job resources will be lower in high-debt LBOs than in non-LBOs. Employee wellbeing and affective outcomes would also be expected to be lower.

However, debt levels in LBOs vary. From a workforce re-contracting perspective, low-debt LBOs, with fewer pressures to pay down debt, have greater scope to implement 'buy and build' operational upgrades (Wright et al., 2001), involving both high job resources as well as demands. As such, both job demands and resources would be expected to be higher in low-debt LBOs than in non-LBOs, and employee wellbeing and affective outcomes would be expected to be no different. Therefore, we hypothesise:

Hypothesis 4a. Compared to employees in non-LBOs, employees in high-debt LBOs report: (i) higher job demands; (ii) lower job resources; and (iii) poorer job-related mental health, job satisfaction and commitment.

Hypothesis 4b. Compared to employees in non-LBOs, employees in low-debt LBOs report: (i) higher job demands; (ii) higher job resources; and (iii) equivalent job-related mental health, job satisfaction and commitment.

3 | DATA, METHODS AND ANALYSIS

3.1 | Data

We draw on the management and employee surveys within the British Workplace Employment Relations Survey 2011 (WERS) (Department for Business, Innovation and Skills et al., 2014), into which we merge unique variables on the buyout status of the workplace from the CMBOR database. WERS is designed to be nationally representative of British workplaces with at least five employees, and consists of 21,981 employees in 2680 workplaces. The CMBOR database is constructed from primary (e.g., surveys of PE firms, banks and advisors) and secondary (e.g., media, stock exchange circulars) sources to provide a comprehensive dataset that uniquely identifies all LBOs in Britain. It has been widely used for academic research and by national and international agencies (Wright et al., 2007). As the CMBOR/WERS matching process contravenes WERS anonymity conventions, we analysed the data in the UK Data Service's SecureLab.

3.2 | Sample of matched leveraged buyouts and non-LBOs

Comparing job quality in LBOs and non-LBOs requires comparability across workplaces, given LBO status is not randomly assigned and workplaces do not have similar propensity to become LBOs. As such, we use coarsened exact matching (Iacus et al., 2012) to match workplaces according to their parent firm's industry, size, and workplace age (Amess et al., 2016; Davis et al., 2014), thereby generating a subsample from the matched CMBOR/WERS data of comparable LBO and non-LBO workplaces. The matching procedure produced 238 'bins' (17 industry groups x 7 size categories x 2 age categories). It then removed bins (and thus workplaces and their employees) lacking balance in the distribution of values between the LBO and non-LBO groups. For example, as there were no LBOs in the 'Electricity, gas, steam and air conditioning supply' and 'Public Administration and Education' industry groups, 28 bins (2 industries x 7 size categories x 2 age categories) were discarded. Following coarsened matching, the L1 statistic (measure of imbalance from 0 (highest balance) to 1 (highest imbalance)) fell from 0.654 to almost 0. The matching process yielded a sample of 160 LBOs with 1297 employees, and 806 non-LBOs with 7104 employees. After excluding missing data, our final sample comprises 3079 employees (of whom 631 are in LBOs) in 440 workplaces (of which 96 are LBO workplaces).

3.3 | Dependent variables

The WERS employee survey provides the following dependent variables regarding job demands, job resources, job-related mental health, job satisfaction and commitment

i) *Work intensity and time pressure (job demands):* Consistent with prior WERS studies evaluating the JD-R model (e.g., Wood et al., 2020), we use two single item measures adapted from Karasek and Theorell's (1990) job content questionnaire to assess psychological job demands. Respondents are asked to indicate on 5-point Likert scales (1 = 'strongly disagree' to 5 = 'strongly agree') their (dis)agreement with: 'My job requires that I work very hard' (work intensity); and 'I never seem to have enough time to get my work done' (time pressure). Both measures are standardised by subtracting the mean and dividing by the standard deviation.

ii) *Job discretion*: Drawing on Jackson et al.'s (1993) measures of job control-autonomy, respondents are asked on a 4-point scale (0 = 'none' to 3 = 'a lot'): 'In general, how much influence do you have over: the tasks you do in your job; the pace at which you work; how you do your work; the order in which you carry out tasks; the time you start or finish your working day?' Responses to these five items load onto a single factor in a confirmatory factor analysis (Cronbach's α = 0.863; χ^2 = 56.33, p < 0.001; RMSEA = 0.058, SRMR = 0.015, CFI = 0.992), and are combined into a single standardised job discretion scale (our first job resources measure).

iii) *Participative decision-making:* Respondents are asked on a 5-point scale (0 = 'very poor' to 4 = 'very good'): 'Overall, how good would you say managers at this workplace are at: seeking the views of employees or employee representatives; responding to suggestions from employees or employee representatives; allowing employees or employee representatives to influence final decisions'. These three items load onto a single factor (Cronbach's α = 0.930; χ^2 = 0.00, p < 0.001; RMSEA = 0.000, SRMR = 0.000, CFI = 1), and are combined into a single standardised participative decision-making scale (our second job resources measure).

iv) *Job-related mental health*: Following Warr (1990), respondents are asked: 'Thinking of the past few weeks, how much of the time has your job made you feel each of the following: tense/ depressed/ worried/ gloomy/ uneasy/ miserable?' (5-point scale coded 0 = 'all the time' to 4 = 'never'). These six items load onto a single factor (Cronbach's α = 0.907; χ^2 = 990.41, p < 0.001; RMSEA 0.188; SRMR 0.055; CFI = 0.918), and are combined into a single standardised scale.

v) *Job satisfaction*: Comprising eight items (see: Rose, 2007) measured on a 5-point scale (0 = 'very dissatisfied' to 4 = 'very satisfied') asking respondents how satisfied they are with different elements of their job (sample item: 'how satisfied are you with the sense of achievement you get from your work?'). These load onto a single factor (Cronbach's α = 0.863; χ^2 = 364.70, p < 0.001; RMSEA = 0.153, SRMR = 0.038, CFI = 0.950), and are combined into a single standardised scale.

vi) *Commitment:* Three items drawn from Lincoln and Kalleberg's (1990) affective commitment measure on a 5-point scale (1 = 'strongly disagree' to 5 = 'strongly agree') asking respondents: 'I share the values of my organisation', 'I feel loyal to my organisation', 'I am proud to tell people who I work for'. These load onto a single factor (Cronbach's α = 0.840, χ^2 = 0.00, p < 0.00 L; RMSEA = 0.000, SRMR = 0.000, CFI = 1), and are combined into a single standardised scale.

3.4 | Independent variables

Matching CMBOR data on LBO characteristics into the WERS data allows for the creation of the following variables.

i) *Employees in LBOs*: Dichotomous variable coded: 1 = 'employees in LBOs'; 0 = 'employees in non-LBOs'.[1] 97% of these LBOs had been bought out for 12 months or more prior to the WERS survey census date.

ii) *Employees in PE/non-PE LBOs*: Dummies created from a categorical variable where: 1 = 'employees in PE LBOs'; 2 = 'employees in non-PE LBOs'; 3 = 'employees in non-LBOs' (reference category).

iii) *Employees in MBIs/MBOs*: Dummies created from a categorical variable where: 1 = 'employees in MBIs'; 2 = 'employees in MBOs' (MBO, management-employee buyout, or employee buyout); 3 = 'employees in non-LBOs' (reference category).

iv) *Employees in Short-/Long-Hold LBOs:* Dummies created from a categorical variable where: 1 = 'employees in short-hold LBOs' of less than 2 years; 2 = 'employees in long-hold LBOs' of two or more years; 3 = 'employees in non-LBOs' (reference category).

v) *Employees in High-/Low-Debt LBOs:* Dummies created from a categorical variable where: 1 = 'employees in high-debt LBOs' (debt ratio >0.5, calculated at the buyout level as total debt (senior debt + mezzanine debt + high-yield debt)/total finance); 2 = 'employees in low-debt LBOs' (debt ratio <=0.5); 3 = 'employees in non-LBOs' (reference category).

3.5 | Control variables

We control for workplace-level and individual-level variables associated with differences in job quality (Green et al., 2013, p. 769) and used in prior studies of LBO employees (Bacon et al., 2019, p. 490). Table A1 lists all variables used in the analysis (including the control variables), along with details on their data source and measurement scale.

3.6 | Analysis procedure

To test our hypotheses, we estimated equations in which the independent variable was the dichotomous LBO variable or the LBO characteristic dummy variables, the dependent variables were the job quality measures, and the control variables were as described in Table A1. We estimated hierarchical linear models with survey weights to account for clustering of employees within workplaces. Further details provided to the reviewers on our procedures and sensitivity tests are available from the authors on request.

4 | RESULTS

Table 1 presents descriptive statistics (weighted means, standard deviations, correlations, and Cronbach's α values). Leveraged buyouts are positively correlated with both work intensity and with participative decision-making (without accounting for control variables).

Table 2 shows the results for Hypothesis 1. H1a (regarding job demands) is partially supported, given that although time pressure is no higher in LBOs than in non-LBOs, work intensity is higher (difference of 0.161; approximately 17% of one standard deviation). Supporting H1b (regarding job resources), job discretion and participative decision-making are higher in LBOs than in non-LBOs (by 17% and 20% of one standard deviation respectively). Supporting H1c, job-related mental health, job satisfaction and commitment are no different in LBOs than in non-LBOs.

The results for Hypothesis 2a (regarding PE LBOs) are given in Table 3. H2a(i) is not supported, with work intensity and time pressure being no higher in PE LBOs than in non-LBOs. Supporting H2a(ii), job discretion and participative decision making are significantly higher in PE LBOs (by 20% and 26% of one standard deviation respectively) than in non-LBOs. Supporting H2a(iii), job-related mental health, job satisfaction and commitment are no different in PE LBOs than in non-LBOs.

The results for Hypothesis 2b (regarding MBIs) are given in Table 4. H2b(i) is not supported, with work intensity and time pressure being no higher in MBIs than in non-LBOs. Supporting H2b(ii), job discretion and participative decision-making are significantly higher (by 20% (at the 10% significance level) and 31% of one standard deviation respectively) in MBIs than in non-LBOs. Supporting H2b(iii), job-related mental health, job satisfaction and commitment are no different in MBIs than in non-LBOs.

The results for Hypothesis 2c (regarding non-PE LBOs) are given in Table 3. Supporting H2c(i), work intensity and time pressure are significantly higher (by 42% and 35% of one standard deviation respectively) in non-PE LBOs than in non-LBOs. Supporting H2c(ii), job discretion and participative decision making are no higher in non-PE LBOs than in non-LBOs. H2c(iii) is partially supported, given that although job satisfaction and commitment are no lower in non-PE LBOs than in non-LBOs, job-related mental health is poorer (by 22% of one standard deviation).[2]

Table 4 shows the results for Hypothesis 2d (regarding MBOs). Supporting H2d(i), work intensity and time pressure are higher (by 38% and 32% of one standard deviation respectively) in MBOs than in non-LBOs. Supporting H2d (ii), job discretion and participative decision-making are no different in MBOs than in non-LBOs. However, H2d (iii) is not supported, with job-related mental health, job satisfaction and commitment being no poorer in MBOs than in non-LBOs.[3]

TABLE 1 Means, standard deviations, correlations, and Cronbach's alpha values for variables of interest.

	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1. Employees in LBOs	0.22	0.41																
2. Employees in PE LBOs	0.15	0.35	**0.78**															
3. Employees in non-PE LBOs	0.07	0.26	**0.53**	**−0.12**														
4. Employees in MBIs	0.11	0.31	**0.67**	**0.85**	**−0.08**													
5. Employees in MBOs	0.11	0.31	**0.66**	**0.19**	**0.79**	**−0.12**												
6. Employees in short-hold LBOs	0.03	0.17	**0.34**	**0.32**	**0.10**	**0.17**	**0.28**											
7. Employees in long-hold LBOs	0.19	0.39	**0.91**	**0.69**	**0.52**	**0.64**	**0.57**	**−0.08**										
8. Employees in high-debt LBOs	0.06	0.24	**0.79**	**0.81**	**0.08**	**0.62**	**0.47**	**0.37**	**0.69**									
9. Employees in low-debt LBOs	0.03	0.18	**0.57**	**0.44**	**0.42**	**0.46**	**0.31**	**0.24**	**0.51**	**−0.05**								
10. Work intensity	0.04	0.96	**0.06**	**0.04**	**0.05**	0.02	**0.07**	0.01	**0.07**	**0.11**	−0.02							
11. Time pressure	−0.03	1.00	−0.01	−0.01	0.01	**−0.05**	**0.04**	**0.04**	−0.03	−0.02	0.01	**0.34**						
12. Job discretion	−0.01	0.65	0.02	0.03	−0.01	0.03	−0.00	**−0.05**	**0.04**	0.03	0.00	**0.06**	−0.02	*0.86*				
13. Participative decision-making	0.08	0.99	**0.06**	**0.08**	−0.00	**0.07**	0.01	−0.03	**0.08**	0.03	0.03	−0.02	**−0.18**	**0.29**	*0.93*			
14. Job-related mental health	0.03	0.64	0.02	0.03	−0.01	**0.04**	−0.01	**−0.05**	**0.05**	−0.00	−0.01	**−0.18**	**−0.33**	**0.23**	**0.45**	*0.91*		
15. Job satisfaction	0.02	0.66	−0.02	−0.01	−0.01	−0.01	−0.01	**−0.04**	0.00	−0.01	−0.03	**0.08**	**−0.11**	**0.51**	**0.51**	**0.48**	*0.86*	
16. Commitment	0.00	0.56	0.03	0.01	0.03	−0.02	**0.05**	−0.02	**0.04**	−0.01	−0.03	**0.14**	**−0.05**	**0.34**	**0.49**	**0.34**	**0.56**	*0.84*

Note: N = 3079 employees in 440 workplaces, of which 96 are LBO workplaces. Of the 96 LBO workplaces, 71 are PE LBOs, 50 are MBIs, 17 are short-hold, and 30 are high-debt. The sum of the means of high-debt and low-debt LBOs is lower than 0.22 because incomplete data in the CMBOR database reduces the number of respondents in the high/low-debt LBO variable. All means, standard deviations and correlations are weighted. Pearson correlations in bold if $p < 0.05$. Cronbach's α values shown in italics on the main diagonal when applicable.

Abbreviations: LBOs, leveraged buyouts; MBIs, Management Buy-Ins; MBOs, management buyouts; PE, Private Equity.

TABLE 2 Job quality in leveraged buyouts (LBOs) and non-LBOs.

	Work intensity	Time pressure	Job discretion	Participative decision-making	Job-related mental health	Job satisfaction	Commitment
Reference: Employees in non-LBOs							
Employees in LBOs	0.16*	0.15	0.11*	0.20*	0.05	−0.03	0.05
	(0.08)	(0.10)	(0.05)	(0.10)	(0.06)	(0.05)	(0.05)
Constant	−0.59	−1.51***	0.75+	0.48	0.50	0.98***	0.35
	(0.42)	(0.42)	(0.40)	(0.48)	(0.34)	(0.28)	(0.25)
Intra-class correlation	0.05*	0.06 *	0.04*	0.09*	0.06*	0.00	0.02*
	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.00)	(0.02)
Observations	3079	3079	3079	3079	3079	3079	3079
Wald χ^2 (63)	517.01	1012.60	744.00	901.47	669.41	1422.41	1422.21

Note: Coefficients from hierarchical linear modelling, with standard errors clustered at the workplace level in parentheses. Controls at the workplace (organisational size, ownership, SIC code, single workplace organisation, workplace age) and individual levels (SOC, pay, tenure, highest qualifications, part-time, temporary or fixed contract, age, gender, ethnicity, marital status, disability status) are not reported for parsimony.

$^{+}p < 0.1$, $^{*}p < 0.05$, $^{***}p < 0.001$.

TABLE 3 Job quality in Private Equity (PE) leveraged buyouts (LBOs), non-PE LBOs, and non-LBOs.

	Work intensity	Time pressure	Job discretion	Participative decision-making	Job-related mental health	Job satisfaction	Commitment
Reference: Employees in non-LBOs							
Employees in PE LBOs	0.09	0.09	0.13*	0.26*	0.11	0.00	0.07
	(0.08)	(0.10)	(0.06)	(0.11)	(0.07)	(0.06)	(0.05)
Employees in non-PE LBOs	0.40**	0.35*	0.06	0.01	−0.14*	−0.14	−0.01
	(0.13)	(0.18)	(0.09)	(0.20)	(0.07)	(0.09)	(0.09)
Constant	−0.53	−1.47***	0.73+	0.44	0.45	0.95***	0.34
	(0.42)	(0.42)	(0.40)	(0.48)	(0.34)	(0.28)	(0.25)
Intra-class correlation	0.05*	0.06*	0.04*	0.09*	0.06*	0.00	0.02*
	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.00)	(0.02)
Observations	3079	3079	3079	3079	3079	3079	3079
Wald χ^2 (64)	512.70	1056.92	748.00	889.21	749.84	1359.89	1367.82

Note: Coefficients from hierarchical linear modelling, with standard errors clustered at the workplace level in parentheses. Control variables as for Table 2.

$^{+}p < 0.1$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$.

Table 5 shows the results for Hypothesis 3a (regarding short-hold LBOs) and 3b (regarding long-hold LBOs). Supporting H3a(i), work intensity and time pressure are significantly higher (by 28% (at the 10% significance level) and 38% of one standard deviation respectively) in short-hold LBOs than in non-LBOs. However H3a(ii) is not supported, with job discretion and participative decision-making being no different (rather than lower) in short-hold LBOs than in non-LBOs. H3a(iii) is also not supported, with job-related mental health, job satisfaction and commitment being no poorer in short-hold LBOs than in non-LBOs.

Regarding long-hold LBOs, H3b(i) is only partially supported, with work intensity being higher (by 16% of one standard deviation, but only significant at the 10% level), but time pressure being no higher, in long-hold LBOs than in non-LBOs. Supporting H3b(ii), job discretion and participative decision-making are significantly higher (by 20%

TABLE 4 Job quality in management buy-ins, management buyouts, and non-LBOs.

	Work intensity	Time pressure	Job discretion	Participative decision-making	Job-related mental health	Job satisfaction	Commitment
Reference: Employees in non-LBOs							
Employees in MBIs	0.04	0.05	0.13^{+}	0.31*	0.10	−0.03	0.06
	(0.08)	(0.12)	(0.06)	(0.12)	(0.08)	(0.07)	(0.06)
Employees in MBOs	0.36***	0.32**	0.09	0.02	−0.03	−0.03	0.03
	(0.09)	(0.12)	(0.07)	(0.14)	(0.07)	(0.07)	(0.07)
Constant	−0.56	−1.49***	0.74^{+}	0.47	0.49	0.98**	0.35
	(0.42)	(0.42)	(0.40)	(0.49)	(0.34)	(0.28)	(0.25)
Intra-class correlation	0.04*	0.06*	0.04*	0.09*	0.06*	0.00	0.02*
	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.00)	(0.02)
Observations	3079	3079	3079	3079	3079	3079	3079
Wald χ^2 (64)	614.16	1110.93	750.47	1121.78	684.03	1431.73	1489.62

Note: Coefficients from hierarchical linear modelling, with standard errors clustered at the workplace level in parentheses. Control variables as for Table 2.

Abbreviations: MBIs, Management Buy-Ins; MBOs, management buyouts

$^{+}p < 0.1$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$.

TABLE 5 Job quality in short-hold leveraged buyouts (LBOs), long-hold LBOs, and non-LBOs.

	Work intensity	Time pressure	Job discretion	Participative decision-making	Job-related mental health	Job satisfaction	Commitment
Reference: Employees in non-LBOs							
Employees in short-hold LBOs	0.27^{+}	0.38*	0.01	−0.11	−0.00	−0.06	−0.01
	(0.14)	(0.17)	(0.10)	(0.18)	(0.14)	(0.10)	(0.08)
Employees in long-hold LBOs	0.15^{+}	0.12	0.13*	0.24*	0.06	−0.03	0.06
	(0.08)	(0.10)	(0.05)	(0.10)	(0.06)	(0.05)	(0.05)
Constant	−0.59	−1.52***	0.75^{+}	0.50	0.50	0.98***	0.35
	(0.42)	(0.42)	(0.40)	(0.48)	(0.34)	(0.28)	(0.25)
Intra-class correlation	0.05*	0.06*	0.04*	0.09*	0.06*	0.00	0.02*
	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.00)	(0.02)
Observations	3079	3079	3079	3079	3079	3079	3079
Wald χ^2 (64)	521.83	1023.49	737.26	917.97	664.76	1417.65	1426.41

Note: Coefficients from hierarchical linear modelling, with standard errors clustered at the workplace level in parentheses. Control variables as for Table 2.

$^{+}p < 0.1$, $^{*}p < 0.05$, $^{***}p < 0.001$.

and 24% of one standard deviation respectively) in long-hold LBOs than in non-LBOs. Supporting H3b(iii), employee reports of job-related mental health, job satisfaction and commitment are no different in long-hold LBOs than in non-LBOs.

Table 6 shows the results for Hypotheses 4a (regarding high-debt LBOs) and 4b (regarding low-debt LBOs). H4a(i) is partially supported, with work intensity (but not time pressure) being significantly higher (by 27% of one standard deviation) in high-debt LBOs than in non-LBOs. H4a(ii) is not supported, with job discretion and participative decision-making being no different (rather than lower) in high-debt LBOs than in non-LBOs. H4a(iii) is also not

TABLE 6 Job quality in high-debt leveraged buyouts (LBOs), low-debt LBOs, and non-LBOs.

	Work intensity	Time pressure	Job discretion	Participative decision-making	Job-related mental health	Job satisfaction	Commitment
Reference: Employees in non-LBOs							
Employees in high-debt LBOs	0.26**	0.13	0.09	0.19	0.07	0.07	−0.05
	(0.09)	(0.16)	(0.09)	(0.15)	(0.09)	(0.08)	(0.09)
Employees in low-debt LBOs	0.45**	0.26	0.15	0.51+	0.14	−0.13	−0.02
	(0.13)	(0.25)	(0.10)	(0.30)	(0.19)	(0.15)	(0.12)
Constant	−0.61	−1.93***	0.53	0.50	0.59	1.10**	0.43
	(0.45)	(0.52)	(0.44)	(0.48)	(0.41)	(0.34)	(0.31)
Intra-class correlation	0.06*	0.06*	0.04	0.08*	0.07*	0.00	0.01*
	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)	(0.00)	(0.02)
Observations	2705	2705	2705	2705	2705	2705	2705
Wald χ^2 (64)	757.97	898.78	2070.81	2965.79	2351.68	3870.89	4339.48

Note: Coefficients from hierarchical linear modelling, with standard errors clustered at the workplace level in parentheses. Control variables as for Table 2. Incomplete data in the CMBOR database reduces the number of respondents in the high/low-debt LBO variable, which explains the lower number of observations compared to previous tables.

$^{+}p < 0.1$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$.

supported, with employee reports of job-related mental health, job satisfaction and commitment being no poorer in high-debt LBOs than in non-LBOs.

Regarding low-debt LBOs, H4b(i) is partially supported, with work intensity (but not time pressure) being significantly higher (by 47% of one standard deviation) in low-debt LBOs than in non-LBOs. H4b(ii) is very partially supported, as while job discretion is no higher in low-debt LBOs than in non-LBOs, participative decision-making is slightly higher (by 51% of one standard deviation, at the 10% significance level). Supporting H4b(iii), job-related mental health, job satisfaction and commitment are no different in low-debt LBOs than in non-LBOs.

5 | DISCUSSION AND CONCLUSION

This paper develops a workforce re-contracting perspective as an alternative to wealth transfer theory to explain the implications of LBOs for intrinsic job quality, and then tests hypotheses based on these alternative perspectives. Table 7 summarises our findings.

5.1 | Theoretical implications

We find that, overall, employees in LBOs report higher job resources (job discretion and participation in decision-making) and as well as (partially) higher job demands (higher work intensity but not higher time pressure) than employees in non-LBOs, and they do not report poorer job-related mental health, job satisfaction, or commitment. This suggests support for the workforce re-contracting perspective, while contradicting wealth transfer propositions regarding 'worsened working conditions' (Watt, 2008, p. 556), 'unbearable stress' (Rodrigues & Child, 2010, p. 1327), 'problems with staff morale' (Clark, 2016, p. 250) and declining job satisfaction (Kochan, 2012) in LBOs. Workforce

TABLE 7 Summary of study findings.

Hypothesis	Supported/not-supported
Hypothesis 1: Compared to employees in non-LBOs, employees in LBOs report:	
(a) higher job demands (work intensity/time pressure)	Partially
(b) higher job resources (job discretion/participation)	Yes
(c) equivalent job-related mental health, job satisfaction and commitment	Yes
Hypothesis 2a: Compared to employees in non-LBOs, employees in PE LBOs report:	
(i) higher job demands	No
(ii) higher job resources	Yes
(iii) equivalent job-related mental health, job satisfaction and commitment	Yes
Hypothesis 2b: Compared to employees in non-LBOs, employees in MBIs report:	
(i) higher job demands	No
(ii) higher job resources	Yes
(iii) equivalent job-related mental health, job satisfaction and commitment	Yes
Hypothesis 2c: Compared to employees in non-LBOs, employees in non-PE LBOs report:	
(i) higher job demands	Yes
(ii) equivalent job resources	Yes
(iii) poorer job-related mental health, job satisfaction and commitment	Partially
Hypothesis 2d: Compared to employees in non-LBOs, employees in MBOs report:	
(i) higher job demands	Yes
(ii) equivalent job resources	Yes
(iii) poorer job-related mental health, job satisfaction and commitment	No
Hypothesis 3a: Compared to employees in non-LBOs, employees in short-hold LBOs report:	
(i) higher job demands	Yes
(ii) lower job resources	No
(iii) poorer job-related mental health, job satisfaction and commitment	No
Hypothesis 3b: Compared to employees in non-LBOs, employees in long-hold LBOs report:	
(i) higher job demands	Partially
(ii) higher job resources	Yes
(iii) equivalent job-related mental health, job satisfaction and commitment	Yes
Hypothesis 4a: Compared to employees in non-LBOs, employees in high-debt LBOs report:	
(i) higher job demands	Partially
(ii) lower job resources	No
(iii) poorer job-related mental health, job satisfaction and commitment	No
Hypothesis 4b: Compared to employees in non-LBOs, employees in low-debt LBOs report:	
(i) higher job demands	Partially
(ii) higher job resources	Partially
(iii) equivalent job-related mental health, job satisfaction and commitment	Yes

re-contracting thus appears to provide an important alternative perspective to wealth transfer theory by which to understand the implications of LBOs for employees.

However, our findings also underscore the importance of exploring different LBO types, rather than just LBOs *en masse* (Appelbaum & Batt, 2014; Bacon et al., 2013; Rodrigues & Child, 2010; Wood & Wright, 2009, 2010), given

that while we found support for workforce re-contracting in some instances, this was not universal, with the evidence being more consistent with wealth transfer theory elsewhere.

Regarding the LBO types in which we found support for workforce re-contracting, consistent with our hypotheses we found partial evidence of higher job demands and evidence of higher job resources in long-hold LBOs than in non-LBOs; and partial evidence of both higher job demands and higher job resources in low-debt LBOs. In outsider LBOs (PE LBOs and MBIs) we found higher job resources but not higher job demands than in non-LBOs. While the explanation for this latter finding remains open to question, the results nevertheless contradict wealth transfer arguments that new owners from outside the firm will abrogate implicit contracts to extract workforce rents, and thus have deleterious job quality consequences (Appelbaum et al., 2013). Also consistent with workforce re-contracting, we found no evidence of poorer job-related mental health, job satisfaction or commitment in any of these LBO types.

However, the findings were partially consistent with wealth transfer predictions in other LBO types, with job demands being higher in non-PE LBOs, MBOs, and short-hold LBOs than in non-LBOs, and being partially higher in high-debt LBOs. Nevertheless, in short-hold and high-debt LBOs, we found no evidence of lower job resources, contrary to wealth transfer theory predictions. Also, job-related mental health, job satisfaction, and commitment were no lower in any of these LBO types with the exception of poorer job-related mental health in non-PE LBOs. We thus found either no or barely any support for wealth transfer predictions of 'unbearable stress' (Rodrigues & Child, 2010, p. 1327), and 'problems with staff morale' (Clark, 2016, p. 250). Overall, therefore, even among these LBO types, evidence in support of wealth transfer theory was slight at best.

Our findings in turn have implications for how the HRM implications of financialisation might be understood. Leveraged buyouts are regularly identified as emblematic of disconnected capitalism (Thompson, 2013) and the deleterious consequences of financialisation (Appelbaum & Batt, 2014; Thompson, 2013, p. 474), and they are frequently considered at least in part responsible for negative HRM trends, including lower intrinsic job quality (Appelbaum & Batt, 2014; Freeman, 2010; Kochan, 2012; Stiglitz, 2015). However, our findings add to other research drawing on nationally representative data (Amess et al., 2007; Amess & Wright, 2007, 2012; Bacon et al., 2010, 2019; Davis et al., 2014, 2019) that questions these conclusions. Our analysis suggests that rather than disrupting labour-management relations as argued by the disconnected capitalism thesis (Thompson, 2013), LBOs (particularly PE LBO, MBIs, long-hold and low-debt LBOs) are examples of 'connected capitalism', whereby they match underperforming firms to executives who possess the experience and skills necessary to improve performance, thus resulting in the introduction of operational upgrades and modern management technologies, and hence greater employee discretion and participation in decision-making. Indeed, from this perspective it might be argued that LBOs help overcome disconnected capitalism within publicly-traded corporations, in which short-term shareholding by transient investors restricts operational upgrades and thereby inhibits the development of more positive employment relations.

5.2 | Managerial and regulatory implications

As argued above, consistent with workforce re-contracting, the human capital matching argument (Siegel & Simons, 2010) suggests that new LBO owners will inject expertise to upgrade operations and introduce modern management technologies within the acquired firm. Human Resource (HR) managers in LBOs (and especially in PE LBOs, MBIs, long-hold and low-debt LBOs) would therefore be well advised to acquire the skills to help develop and operationalise these technologies. Specifically, this might involve developing and implementing job redesign initiatives to enhance job discretion, designing methods of increasing employee participation in decision-making, and communicating new performance expectations to employees. While HR managers in MBOs, short-hold LBOs and high-debt LBOs may find themselves under greater pressure to restructure work roles to increase operational efficiency rather than to increase employee participation in decision-making, they should not be unduly concerned that

this will have negative implications for employee wellbeing and affective outcomes, given our evidence that these outcomes are no (or barely any) poorer in such LBOs than in comparable non-LBOs.

In addition, as outlined above, central to workforce re-contracting is the appointment to the acquired firm of executives, external functional experts and advisers with proven track records in managing LBOs. This might present an opportunity for HR professionals. If they are able to demonstrate that they possess the necessary expertise to assist with managing LBO turnarounds, this may enable them to develop careers working for successive LBOs to implement operational upgrades and enhance firm performance (Bacon et al., 2008).

Regarding implications for regulators, our findings suggest efforts by unions and regulatory bodies to protect job quality by restricting LBO activity overall may be potentially misplaced. Our analysis suggests there might be arguments for regulating specific LBO types within which wealth transfer is more evident (i.e. non-PE LBOs, MBOs, short-hold LBOs, and high-debt LBOs). Yet even here, the extremely limited evidence of poorer job-related mental health (which we found only in non-PE LBOs), and the absence of evidence of lower job satisfaction and commitment in any of these LBO types, calls into question the need for such regulation.

5.3 | Limitations and future research

Our findings are subject to three important caveats. First, our data does not allow assessments of the impact of LBOs on within-person perceptions. This would require longitudinal data following matched samples of the same individual employees pre- and post-LBO. To our knowledge, no such datasets currently exist, though developing them would provide a significant step forward in understanding the implications of LBOs for employees.

Second, there is a risk that subjective intrinsic job quality measures (as used here) will be biased upwards where employees fear alternatives such as redundancy. As such, our results might be explained by these fears being greater in LBOs than in non-LBOs. However, prior research shows perceived job insecurity is no greater in LBOs than elsewhere (Bacon et al., 2019); hence, there is no reason for redundancy fears (and therefore upward bias) to be any more evident. Nevertheless, it might be argued that greater upward bias in LBOs than in non-LBOs would be anticipated in our study given the timing of the data collection (shortly after the Great Recession, which would arguably have particularly affected LBOs given their high debt levels). Yet prior research demonstrates that LBOs display considerable resilience during recessions (Wright et al., 2016), thus further suggesting that any upward bias in our measures would not be any greater in LBOs than in non-LBOs.

Third, our results could be explained by LBOs exerting negative spillover effects, whereby non-LBOs fearful of hostile takeover introduce changes that reduce job quality. While takeover threats might incentivise non-LBOs to introduce operational upgrades (and hence improve job quality), the disconnected capitalism thesis suggests such threats are more likely to incentivise efforts to increase shareholder returns via the introduction of harsher workplace regimes (thus decreasing job quality). This effect might be particularly evident in our study, given our coarsened exact matching approach is designed to ensure the characteristics of the non-LBO workplaces in the sample match those of the LBO workplaces. This in turn suggests the non-LBO workplaces may be likely candidates for buyouts, and are thereby particularly prone to introducing harsher regimes to stave off hostile takeover threats.

As a sensitivity test, therefore, we re-estimated the LBO versus non-LBO equations reported in Table 2 using the larger non-matched sample of workplaces and employees. The results remained qualitatively the same, thus reducing the likelihood that our main study findings are due to the fear of hostile takeover among the non-LBOs. Nevertheless, future research might explore this matter further by comparing job quality in industries with different LBO propensities, and between countries with more and less active markets for corporate control.

5.4 | Conclusion

Our analysis questions wealth transfer theory predictions that LBOs extract rents from the workforce at the cost of poorer intrinsic job quality. Instead, the findings for LBOs overall, and in particular for outsider LBOs, long-hold LBOs and low-debt LBOs, are more consistent with the workforce re-contracting perspective that both job demands (work intensity) and resources (job discretion and participation in decision-making) will be higher in LBOs than in non-LBOs, and that employee wellbeing and affective outcomes will be no poorer. Although some LBO types (non-PE LBOs, MBOs, short-hold, and high-debt LBOs) may impose higher job demands while not increasing job resources (more consistent with wealth transfer theory), even here there is barely any evidence of poorer employee wellbeing or affective outcomes. As such, it appears that LBOs may be less of a cause for concern regarding intrinsic job quality than is often suggested, and that the workforce re-contracting perspective offers an important alternative theoretical perspective to wealth transfer theory regarding the HRM implications of LBOs.

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DATA AVAILABILITY STATEMENT

As the CMBOR/WERS matching process contravenes WERS anonymity conventions, the data used in our analysis had to be held (and analysed) within the UK Data Service's SecureLab. Given this, the data are not publicly available.

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ENDNOTES

[1] Analysis based on all non-professional/non-managerial staff (Standard Occupational Classification 3–9).

[2] Three of the 25 non-PE-backed LBOs are MBIs. To obtain a 'purer' non-PE LBO versus non-LBO comparison, we conducted a sensitivity test excluding these observations from the non-PE category. The results, based on 3059 observations, are similar to those in Table 3, except that job satisfaction is also lower for employees in non-PE LBOs compared to those in non-LBOs, lending further support to Hypothesis 2c (iii).

[3] 24 of the 46 MBO workplaces are PE-backed. To obtain a 'purer' MBO versus non-LBO comparison, we conduct a sensitivity test excluding these observations from the MBO category. The results, based on 2932 observations, are similar to those in Table 4, except that job-related mental health is lower for employees in MBOs compared to those in non-LBOs.

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APPENDIX

TABLE A1 Data sources, variables and their measurement.

Variable	Data source	Measurement
Dependent variables:	WERS employee questionnaire	
Work intensity		Single-item; standardized scale
Time pressure		Single-item; standardized scale
Job discretion		Multi-item; standardized scale
Participative decision-making		Multi-item; standardized scale
Job-related mental health		Multi-item; standardized scale
Job satisfaction		Multi-item; standardized scale
Commitment		Multi-item; standardized scale
Independent variables:	CMBOR	All single-items
Employees in LBOs, non-LBOs		Dichotomous
Employees in PE LBOs, non-PE LBOs, non-LBOs		Categorical (dummies for PE LBOs; non-PE LBOs; non-LBOs
Employees in MBIs, MBOs, non-LBOs		Categorical (dummies for MBIs, MBOs, non-LBOs)
Employees in short-hold LBO, long-hold LBO, non-LBO		Categorical (dummies for short-hold LBOs, long-hold LBOs, non-LBOs)
Employees in low-debt LBO, high-Debt LBO, non-LBO		Categorical (dummies for low-debt LBOs, high-debt LBOs, non-LBOs)
Workplace controls:	WERS management questionnaire	
Organizational size		Dummies for: 5–49; 50–249; 250–499; 500–999; 1000–4999; 5000–9999; 10,000+ employees
Ownership		Dummies for: UK; other European union; North American; Rest of World
Industry (SIC code)		Dummies for each major SIC major group
Single workplace (or otherwise)		Dichotomous
Workplace age		Dummies for: 0 to <5; 5 to <10; 10 to <20; 20+
Individual controls:	WERS employee questionnaire	
Standard occupational classification		Dummies for each SOC major group
Pay		Dummies for: £60–£170; £171–£260; £261–£370; £371–£520; £521+ per week

(Continues)

TABLE A1 (Continued)

Variable	Data source	Measurement
Tenure		Dummies for: <1; 1 to <2; 2 to <5; 5 to <10, 10+
Highest qualifications		Dummies for: None; GCSE grade D-G; GCSE grade A-C; A-level; degree; higher degree; other
Part-time or full-time		Dichotomous
Temporary or fixed contract		Dichotomous
Age		Dummies for: 16–21; 22–29; 30–39; 40–49; 50–59; 60–64; 65+
Gender		Dichotomous
Ethnicity		Dummies for: White; mixed; Asian or Asian British; Black or Black British; other
Marital status		Dummies for: single; married; divorced/separated/widowed
Disability status		Dichotomous

Abbreviations: GCSE, General Certificate of Secondary Education; SIC, Standard Industrial Classification; SOC, Standard Occupational Classification.