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Abstract

In this article we consid uneration, and other human resource management practices by reviewing and synthesizing existing studies. We show that the impact tends to differ between buyouts and buy-ins, and argue that private equity is a heterogeneous phenomenon. Several issues that would benefit from further research are identified including the relative impact on employment, terms and conditions and job quality for managerial and non-managerial employees.

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1.
1 Asset stripping in terms of purchasing a business with the intention of selling its assets and leaving its creditors (including its employees and pensioners) unpaid is a criminal offence. To prevent asset stripping it is illegal for a company to give Financial Assistance in the purchase of its own shares. In simple terms a company cannot generally pledge its assets as security to a bank to fund the purchasers bid. In the late 1970s and early 1980s it was found that this prohibition was preventing particularly rescues of foundering or failed companies using venture capital and bank borrowings. In 1981, The Companies Act was amended to allow a process where the justification for the purchase is a bona fide transaction undertaken for normal commercial purposes.
2.

2 For a review of the evidence regarding the effects on employment and HRM in privatization buyouts in developed and transition economies, see Wright et al. (2002). For transition economies, they identify five studies reporting significant positiv eincreases in employment, five with no significant effect and nine with significant negative effects on employment. In this article, we focus on developed markets.

3.

3 Note that although at the time the term private equity backed buyout was not in usage, the firms covered by this study were indeed private equity backed.

4.

4 Thanks to Andrew Pendleton for pointing this out.

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