

Labor Income Share Change and Mergers and Acquisitions: Empirical Evidence of the Importance of Employees

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Abstract : Mergers and Acquisitions (M&A) are important market tools to support economic transformation and upgrading to achieve high-quality development. Based on the employee value distribution in the context of M&A and reorganization of Chinese enterprises, this paper takes China's A-share listed companies from 2007 to 2022 as research samples to explore the impact of employee labor income share fluctuation on the success rate of M&A. The research finds that, first, when employees of the target party expect the share of labor income to decline after the merger, it will significantly inhibit the success rate of the merger. Second, when there is a vertical gap (that is, the target party has a larger scale and a higher level of corporate governance) or a horizontal gap (that is, the merger parties are in different industries and strategies) .Third, for enterprises that have completed the M&A process, the decline of labor income share will lead to higher post-M&A goodwill impairment. The research conclusions of this paper enrich the literature on the economic consequences of labor income share and the influencing factors of M&A, and provide useful reference for enterprises to better coordinate the value distribution of employees in M&A.

Keywords : labor income share, the success rate of M&A, value distribution, goodwill impairment

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