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Can Multiple Major Shareholders Increase Enterprises' Labor Income Share

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ABSTRACT
This paper takes A-share listed companies in the Shanghai and Shenzhen Stock Exchanges from 2010 to 2023 as the research sample, in order to reveal the research on the influence of multiple major shareholders on the labor income share of enterprises. Through empirical research, it is found that companies with multiple major shareholders do increase enterprises' labor income share. Moreover, the promoting effect of multiple major shareholders on enterprises' labor income share is mainly concentrated in state-owned enterprises and large-scale enterprises.

KEYWORDS
Multiple major shareholders; Equity checks and balances; Enterprises' labor income share

1 Introduction

In recent years, the trend of continuous decline in China's labor income share has become more and more obvious. The consequence of this phenomenon is that the low labor income share leads to the failure to widely share the fruits of economic growth with the public, which aggravates the unbalanced distribution of social wealth, further expands social inequality, inhibits the improvement of residents' consumption power, and may eventually threaten social stability and harmony. It is necessary to effectively promote common prosperity and enhance people's well-being, which highlights the urgency of exploring ways to increase the share of labor income. Increasing the share of labor income is not only a key task in the economic field, but also an urgent issue related to the sustainable development of society and the improvement of people's happiness. At the same time, with the continuous deepening of the ownership structure, the coexistence of multiple major shareholders is becoming more and more common worldwide. Since the implementation of the share-trading reform in China, the ownership structure of enterprises tends to be diversified and decentralized, and the problem of multiple major shareholders has become the focus of corporate governance research. As the core stakeholders of an enterprise, shareholders are closely connected with the daily operation of the enterprise, which has a direct impact on the allocation of enterprise resources among various elements. Therefore, whether the shareholding structure with multiple major shareholders can effectively increase the share of labor income and thus promote the realization of the goal of common prosperity is a topic worthy of in-depth discussion.

2 Theoretical analysis and research hypothesis

Stakeholder theory holds that enterprises should meet the needs of multiple stakeholders, including social responsibility, employee rights and environmental protection, and put these needs in the same important position as shareholders' economic interests. However, from the perspective of this theory, it seems that increasing the share of labor income of enterprises deviates from the traditional path of maximizing shareholder value, and may also inhibit the tunneling behavior of controlling shareholders, especially in the enterprise environment with high concentration of equity. Andrel(1997) pointed out that the highly centralized ownership structure gives the controlling shareholder absolute control, which makes it difficult for other shareholders to implement effective checks and balances, thus opening the door for the controlling shareholder to seek personal gain.

In China, listed companies generally show a high degree of equity concentration, and the controlling shareholders not only have the ability to hollow out enterprises, but also often have this motivation. In order to gain control rights, controlling shareholders, in order to seize private benefits of control, often have conflicts of interest with enterprise employees, which in turn leads to violations of workers' rights and interests (Li Xiaorong and Bi Yingrui, 2023). In addition, the high concentration of ownership may also prompt managers to take actions to safeguard the interests of controlling shareholders (Liu et al., 2024), such as cutting costs, reducing expenses or adjusting labor allocation to meet the expectations of controlling shareholders. These actions may be detrimental to employees, such as layoffs, welfare cuts or salary cuts, thus reducing the share of labor income. However, Jiang Fuxiu (2018) proposed that when there are multiple major shareholders in a company, the non-controlling major shareholder can effectively supervise the behavior of the controlling shareholder, restrict its self-interest behavior, and reduce the private benefits of control rights, thus protecting the rights and interests of workers. Shleifer and Vishny (1986), when analyzing the shared benefits of control, pointed out that compared with small shareholders, large shareholders have more motivation and ability to collect information to supervise managers.

Based on this, this paper puts forward the following assumptions:

H1: The shareholding structure of multiple major shareholders will increase the share of labor income of enterprises.

3 The research design

3.1 Sample selection and data sources

In order to study the relationship between multiple major shareholders' share of labor income, this paper selects listed companies in Shanghai and Shenzhen A-shares from 2008 to 2023 as the research object. Considering the distribution characteristics and availability of research topics and sample data, this paper screened the samples according to the following rules: (1) Excluding samples from the financial and insurance industries; (2) eliminate ST enterprises; (3) Eliminate the samples with missing research data. After screening, a total of 37763 observations from 4320 sample enterprises were finally obtained. At the same time, in order to eliminate the influence of outliers and extreme values, all continuous variables are subjected to Winsorization at the 1% and 99% quantiles. The data are all from CSMAR database.

3.2 Model construction

According to the above theoretical analysis and research assumptions, the following analysis model is constructed.

$$LS_{i,t}=\alpha_0+\alpha_1 Multi_{i,t}+\alpha_2 Controls_{i,t}+\Sigma Year+\Sigma Ind+\varepsilon_{i,t} \text{ Model} \quad (1)$$

Among them, LS is the explained variable in this paper, that is, the labor income share of enterprises, Multi is the explained variable in this paper, and Controls is a series of control variables selected in this paper. α0 represents intercept and α2 is the regression coefficient of control variables. The direction and significance level of α1 can effectively reflect whether multiple major shareholders have a positive impact on the labor income share of enterprises.

3.3 Definition of variables

3.3.1 Explanatory variables

In this paper, referring to the existing literature such as Maury and Pajuste (2005), Jiang Fuxiu (2017) and Zhu Bing (2018), the shareholders holding more than 10% of the shares are defined as major shareholders. Including the largest shareholder, if the company has two or more major shareholders with a shareholding ratio of more than 10%, we define it as Multiple major shareholders, and the multi assignment value is 1; On the contrary, it is called single major shareholder and the value of Multi is 0.

3.3.2 Explained variables

Referring to the research of Shi Xinzheng et al. (2019), Jiang Xuanyu and Lin Li (2022), this paper measures LS: LS= cash/ operating income paid to and for employees.

3.3.3 Control variable

This paper also controls other factors that affect the share of labor income, as well as annual effect and company effect. See Table 1 for the definition of specific variables.

Table 1 Definition table of main variables

Variable type	Variable name	variable symbol	Variable definition
Explained variable	Share of labor income of enterprises	*LS*	Cash/operating income paid to and for employees.
Explanatory variable	Multiple major shareholders	*Multi*	After consolidating the concert parties, if there are multiple major shareholders or more than two major shareholders holding more than 10% of the shares in the company in the t year, the assignment is 1, otherwise it is 0.
Control variable	Scale	*Size*	Natural logarithm of total assets at the end of the period
	Asset-liability ratio	*Lev*	Ratio of total liabilities to total assets at the end of the period
	return on assets	*ROA*	Ratio of net profit at the end of the period to the average balance of assets at the end of the period
	Nature of equity	*Soe*	State-owned enterprises take 1 and non-state-owned enterprises take 0.
	Management shareholding	*Mshare*	Number of shares held by management/total share capital
	Operating income growth rate	*Growth*	Calculated as (This year's operating income / Previous year's operating income) - 1
	Proportion of independent directors	*Indep*	Ratio of the number of independent directors to the number of directors
	CEO Duality	*Dual*	Coded 1 if the chairman and general manager are the same person, and 0 otherwise
	Tobin's Q	TobinQ	Ratio of market value to total assets
	Enterprise age	*ListAge*	Natural logarithm of the number of years a company has been listed
	industry	*Ind*	Industry dummy variable, which is set according to China Securities Regulatory Commission's Guidelines for Industry Classification of Listed Companies in 2012.
	year	*Year*	Annual dummy variable

4 Empirical analysis

4.1 Descriptive statistics

Descriptive statistical results are shown in Table 2. Specifically, the average value of enterprise labor income share (LS) is 0.141, the standard deviation is 0.099, the minimum value is 0.014, and the maximum value is 0.537, which is consistent with the findings of existing studies. The average value of Multi is 0.255, which indicates that 25.5% of the companies have multiple shareholding structures. Comprehensive analysis of descriptive statistical results shows that the distribution of variables is reasonable and there are no obvious abnormal values, so further analysis can be carried out.

Table 2 Descriptive statistics

variable	(1)	(2)	(3)	(4)	(5)	(6)
	Sample size	average/mean value	median	standard deviation	minimum value	maximum
LS	37763	0.141	0.118	0.099	0.014	0.537
Multi	37763	0.255	0.000	0.436	0.000	1.000
Size	37763	22.195	21.001	1.296	19.032	26.632
Lev	37763	0.421	0.413	0.203	0.053	0.967
ROA	37763	0.041	0.040	0.064	-0.239	0.241
Growth	37763	0.161	0.101	0.393	-0.597	2.721
Indep	37763	37.467	35.710	5.355	0.000	57.140
Dual	37763	0.292	0.000	0.455	0.000	1.000
Mshare	37763	13.760	0.827	19.632	0.000	69.959
TobinQ	37763	2.009	1.610	1.237	0.855	8.135
ListAge	37763	2.104	2.197	0.832	0.000	3.367

4.2 Regression analysis

The benchmark regression results of multiple major shareholders' share of enterprise labor income are shown in Table 3. The first column is the univariate regression results of multiple major shareholders, and the regression coefficient of multiple major shareholders (Multi) is 0.0034, which is significantly positive at 1% confidence level. In column (2), controlling corporate governance and characteristic variables, the regression coefficient of multiple major shareholders (Multi) is 0.0045, which is significantly positive at 1% confidence level. In column (3), the annual and industry fixed effects are further controlled, and the regression coefficient of multiple major shareholders (Multi) is 0.0032, which is significantly positive at the confidence level of 1%, which confirms the hypothesis H1 of this paper. That is, the existence of multiple major shareholders has significantly increased the share of labor income of enterprises.

Table 3 Regression results of multiple major shareholders' share of enterprise labor income

variable	(1)	(2)	(3)
	LS	LS	LS
Multi	0.0034***	0.0045***	0.0032***
	(3.27)	(4.05)	(3.21)
Size		-0.0027***	-0.0085***
		(-5.79)	(-18.58)
Lev		-0.1342***	-0.0937***
		(-40.36)	(-28.87)
ROA		-0.3846***	-0.2851***
		(-35.12)	(-26.99)
SOE		0.0089***	0.0123***
		(7.73)	(11.39)
Mshare		0.0003***	0.0001***
		(10.31)	(3.12)
Indep		0.0003***	-0.0000
		(3.79)	(-0.43)
Dual		0.0086***	0.0053***
		(7.51)	(5.20)
Growth		-0.0201***	-0.0208***
		(-15.19)	(-15.78)
TobinQ		0.0130***	0.0094***
		(24.63)	(18.97)
ListAge		-0.0048***	-0.0043***
		(-6.14)	(-5.99)
Constant	0.0854***	0.2343***	0.3055***
	(23.87)	(23.28)	(30.70)
Ind	No	No	Yes
Year	No	No	Yes
Observations	37,763	37,763	37,763
r2_a	0.3367	0.1827	0.4180

, * and * * * indicate significant at 10%, 5% and 1% levels respectively, and the values in brackets are corresponding t values.

4.3 Robustness analysis

Referring to the method of Jiang Xuanyu and Lin Li (2022), this paper measures the share of labor income by (cash paid to and for employees+salary payable to employees at the end of the period-salary payable to employees at the beginning of the period)/total operating income, and makes a regression. It can be seen from column (1) of Table 4 that after replacing the measurement index of labor income share of enterprises, the regression coefficient of Multi is 0.002, which is significantly positive at the confidence level of 1%. The main conclusions of this paper are still valid.

Referencing the study by Zhu Bing et al. (2018), we recalculated the multiple major shareholders (p5_Multi) indicator by lowering the threshold for defining multiple major shareholders in the benchmark regression from 10% to 5%. As shown in Column (2) of Table 4-6, the regression coefficient for multiple major shareholders (p5_Multi) is 0.0049, which is significantly positive at the 5% confidence level. After adjusting the definition criteria, the conclusions of this paper remain robust.

Given that a controlling shareholder's high ownership stake may hinder other major shareholders from exercising oversight and constraints (Jiang, Fu, Xiu et al., 2018), we excluded samples where the controlling shareholder held more than 50% of the shares (i.e., those with absolute control). As shown in Column (3) of Table 4-6, after excluding samples with absolute controlling shareholders, the regression coefficient for multiple large shareholders (Multi) is 0.0019, which is significantly positive at the 1% confidence level. The main research conclusions of this paper remain valid.

Table 4 Robustness tests

Variable	(1)	(2)	(3)	(4)
	LS	LS	LS	LS
Multi	0.0020***		0.0049***	0.0025***
	(6.32)		(4.48)	(2.31)
p5_Multi		0.0019**		
		(2.29)		
Size	-0.0010***	-0.0084***	-0.0083***	-0.0086***
	(-7.02)	(-18.51)	(-14.94)	(-17.29)
Lev	-0.0151***	-0.0940***	-0.0955***	-0.0858***
	(-15.12)	(-28.97)	(-25.95)	(-24.23)
ROA	-0.0128***	-0.2854***	-0.2799***	-0.2368***
	(-3.88)	(-27.02)	(-23.66)	(-20.51)
SOE	0.0029***	0.0124***	0.0101***	0.0133***
	(8.27)	(11.53)	(8.34)	(11.54)
Mshare	0.0000	0.0001***	0.0001**	0.0001***
	(0.27)	(3.05)	(1.98)	(3.17)
Indep	0.0000	-0.0000	0.0001	-0.0000
	(0.40)	(-0.40)	(1.38)	(-0.27)
Dual	-0.0002	0.0053***	0.0046***	0.0055***
	(-0.65)	(5.15)	(4.02)	(4.89)
Growth	0.0018***	-0.0208***	-0.0240***	-0.0179***
	(3.86)	(-15.80)	(-15.52)	(-12.59)
TobinQ	0.0025***	0.0094***	0.0096***	0.0096***
	(15.54)	(18.98)	(17.30)	(16.82)
ListAge	-0.0006***	-0.0044***	-0.0041***	-0.0030***
	(-2.66)	(-6.05)	(-4.67)	(-3.73)
Constant	0.0475***	0.3041***	0.2912***	0.2996***
	(14.24)	(30.58)	(24.31)	(27.58)
Ind	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
Observations	37763	34849	28008	27384
r2_a	0.3481	0.1827	0.3590	0.3340

*, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The values in parentheses are the corresponding t-statistics

5 Heterogeneity analysis

5.1 Heterogeneity analysis by property rights nature

This paper categorizes the sample into state-owned enterprises (SOEs) and non-state-owned enterprises (NSOEs), introducing a dummy variable SOE, where state-owned enterprises (SOEs) are coded as 1 and non-state-owned enterprises (NSOEs) as 0. Table 5 presents the results on the property rights heterogeneity between multiple major shareholders and the labor income share in SOEs and NSOEs. The results indicate that in non-state-owned enterprises, the positive impact of multiple major shareholders on the labor income share is more pronounced. This is because, compared to state-owned enterprises subject to strict regulation, private enterprises face relatively weaker oversight, leading to a higher risk of tunneling by their largest shareholders. Additionally, given the special policy responsibilities undertaken by state-owned enterprises, they are more inclined to ensure fairness in income distribution compared to private or foreign-invested enterprises.

5.2 Heterogeneity analysis by firm size

Following the methodology of Lv Bingyang et al. (2022), firms were grouped based on the annual median firm size. Firms exceeding the median size were classified into the large firm group, while those below the median were categorized into the small and medium-sized enterprise (SME) group. The regression results in Table 5 indicate that the presence of multiple major shareholders in SMEs does not significantly increase the share of labor income. This may stem from the greater influence of income distribution in large enterprises due to their scale. Consequently, the labor income share in large enterprises faces heightened scrutiny from societal and governmental entities, leading to a stronger emphasis on equitable income distribution and employee welfare.

Table 5 Heterogeneity analysis—ownership structure and firm size

Variable	(1)	(2)	(3)	(4)
	State-Owned Enterprises	Non-State-Owned Enterprises	Large Enterprises	Small and Medium-Sized Enterprises
Multi	0.0039***	0.0043**	0.0036***	0.0028
	(2.51)	(3.30)	(3.81)	(1.60)
Size	-0.0112***	-0.0061***	-	-
	(-18.43)	(-8.74)		
Lev	-0.0805***	-0.1025***	-0.1014***	-0.0556***
	(-15.27)	(-24.97)	(-6.58)	(-3.57)
ROA	-0.2681***	-0.2950***	-0.4030***	-0.4140***
	(-15.07)	(-22.44)	(-10.09)	(-11.13)
SOE	-	-	-0.0312*	-0.0450**
			(-1.79)	(-2.20)
Mshare	-0.0008***	0.0001***	0.0226***	0.258***
	(-3.86)	(2.68)	(4.06)	(4.70)
Indep	-0.0007***	0.0004***	-0.0514	0.0203
	(-6.33)	(4.13)	(-0.48)	(0.41)
Dual	0.0032	0.0045***	0.0007	0.0082
	(1.43)	(3.88)	(0.09)	(1.64)
Growth	-0.0189***	-0.0213***	-0.0725***	-0.0591***
	(-10.07)	(-12.22)	(-3.94)	(-3.02)
TobinQ	0.0076***	0.0105***	0.0004	-0.0043**
	(8.06)	(17.90)	(0.16)	(-2.02)
ListAge	-0.0037***	-0.0057***	0.0055	0.0107***
	(-2.87)	(-6.22)	(1.35)	(2.58)
Constant	0.3865***	0.2520***	-0.0601	1.0307*
	(27.76)	(16.45)	(-0.89)	(1.86)
Ind	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
Observations	13803	23576	18768	18734
r2_a	0.3386	0.3204	0.073	0.074

*, * * and * * indicate significant at 10%, 5% and 1% levels respectively, and the values in brackets are corresponding t values.

6 Conclusions and suggestions

Taking the listed companies in Shanghai and Shenzhen A-shares in 2010-2023 as samples, this paper tries to explore the actual effect of multiple major shareholders by studying the influence of multiple major shareholders on the labor income share of enterprises. Through research, it is found that multiple major shareholders can significantly improve the labor income share of enterprises. The conclusion of this paper provides new evidence for the supervision effect of multiple major shareholders, provides important implications for achieving fair income distribution and promoting common prosperity, and is a beneficial exploration of corporate governance affecting the labor market.

From the perspective of enterprises, we should actively use the governance efficiency of multi-shareholder structure, restrict the self-interest tendency of controlling shareholders, give full play to the advantages of information and resources brought by multi-shareholders, improve the internal control system of enterprises, enhance the corporate governance efficiency, and ensure the fairness of income distribution. Building a scientific and reasonable shareholding structure is the basic work of corporate governance. Establishing an internal competition mechanism and fostering a healthy corporate culture can enhance major shareholders' enthusiasm for participating in corporate governance. At the institutional level, it is quite critical to improve the internal governance system and build an efficient information communication platform, which can give full play to the synergy among shareholders, optimize the corporate decision-making mechanism, improve the internal governance structure and achieve a fairer and more reasonable income distribution pattern.

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