

# Lifetime Employment Contract and Cournot Competition with Labor-Managed and Profit-Maximizing Firms

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## Abstract

We examine the two-stage mixed market model of one labor-managed income-per-member-maximizing firm and one profit-maximizing firm. In stage 1, each firm independently decides whether or not to adopt lifetime employment as a strategic commitment. If a firm adopts lifetime employment, then it chooses an output level and enters into a lifetime employment contract with the number of employees necessary to achieve the output level. Hence, the firm's wage cost changes from a variable cost to a fixed cost. In stage 2, each firm independently chooses its actual output. We discuss the equilibrium of the mixed model.

Keywords: Labor-managed firm; Profit-maximizing firm; Lifetime employment contract  
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