



Unseen job creators and firm growth barriers **The role of capital constraints and seniority rules**

av

Anders Bornhäll

Akademisk avhandling

Avhandling för filosofie doktorsexamen i nationalekonomi,
som kommer att försvaras offentligt
Fredagen den 6 oktober 2017 kl. 13:15,
Örebro Universitet, Handelshögskolan, Hörsal M

Opponent: Professor Marc Cowling
University of Brighton

Örebro universitet
Handelshögskolan vid Örebro Universitet
701 82 ÖREBRO

Abstract

Anders Bornhäll (2017): Unseen job creators and firm growth barriers: The role of capital constraints and seniority rules. Örebro Studies in Economics 37

The topic of this thesis is to provide a deeper understanding of how the institutional framework affects firms' hiring decisions.

The first article focuses on a group of firms, called sleeping gazelles, that do not grow despite having high profits. Sleeping gazelles constitute a much larger share of the firm population than that of high-growth firms. If it is growth barriers that are hindering these firms from hiring more employees, many new jobs could be created if these barriers were removed. To investigate the effects of one of the suggested growth barriers in the literature, the second article, focuses on whether small-firm growth is hampered by lack of capital. Using survey data from business owners matched with register data, we find that firms may face a capital constraint paradox, whereby the supply of external capital might be sufficient, but firm owners might refrain from accessing it due to fear of losing control of their companies. The third article investigates whether employment protection acts as a growth barrier in Sweden. Using a reform of the Swedish last-in-first-out (LIFO) rule, we estimate the causal effects from a liberalization of the employment protection. We find that firm growth increased because of the reform and that a more expansive reform could provide new job opportunities and increase overall employment. The LIFO rule was introduced to protect older workers. The fourth article investigates whether the reform weakened the labor market position of these workers. It is found that more young individuals who were unemployed or previously not in the workforce were hired as a consequence of the reform, showing that the reform lowered youth unemployment. There is no indication of older workers leaving the workforce or becoming unemployed to any greater extent after the reform. The fifth article show that the positive effects of the reform were limited to native workers, with no effects on the labor market position of immigrants. The effects depend on the relative insider-status of employees, so that groups of employees who are closer to being insiders benefit more from less-strict employment protection legislation than groups that are further from being insiders.

Keywords: Firm growth; growth barriers; employment protection; institutions; capital constraints

Anders Bornhäll, School of economics
Örebro University, SE-701 82 Örebro, Sweden,
anders.bornhall@hukseforsk.se