

## LABOUR PROTECTION & LEVERAGE

**Speaker:** Professor Paolo Volpin, Cass Business School, City University London

**Date:** 11 March 2014

**Time:** 10:30-12:00

**Venue:** Cambridge Judge Business School (W2.01)

### Abstract

This paper exploits inter-temporal variations in employment protection across countries and finds that labour-friendly reforms lead to lower firm leverage. This negative effect is more pronounced when firms rely more on labour, are subject to frequent hiring and firing, and have lower liquidation value. These results are consistent with the view that employment protection increases operating leverage, crowding out financial leverage. Furthermore, we find that higher employment protection impacts negatively firm investment and growth for firms dependent on external capital. These results indicate that firms' reduced access to external capital, due to stronger labour protection, has negative real effects.

### Speaker bio

Professor Paolo Volpin is a Research Fellow of the Centre for Economic Policy Research (CEPR), and a Research Associate of the European Corporate Governance Institute (ECGI). Prior to joining Cass Business School, he was an Associate Professor of Finance at London Business School. He has published in the *American Economic Review*, *Journal of Finance*, *Journal of Financial Economics*, *Review of Finance*, *Review of Financial Studies*, *Journal of Economic Perspectives* and other journals. His research in corporate finance, especially in the field of corporate governance, has won several awards. He holds a PhD in Economics from Harvard University.