26087: Corporate Finance and Labor Markets
Introductory Lecture

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The Lecturer

- MSc and PhD from Hanken (2001-2008)
- From Vasa, live in Stockholm, work at IFN
- I bring Nordic registry datasets to the research frontier in **labor and finance**
- **Distinguished Visiting Professor** at Hanken 2024-2026
- Course given in 2024, 2025, and 2026.

Overview

About the Course

- Overview
- Structure
- The Modules

Assessment and Evaluation

- In-class Participation (20%)
- Student Paper Presentation (20%)
- Course Paper (60%)
- Referee Reports (for PhD students)
- The AI Policy

Q&A

About the Course

Overview

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  - Structure
  - The Modules
- Assessment and Evaluation
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  - The AI Policy
- Q&A

About the Course

Overview

The Course

- Aims to give a **selected overview** of the field of **Labor and Finance** by focusing on research that:
  - Represents the field
  - Useful for your careers
- **Labor and Finance:**
  - A sub-field in **finance** that has grown a lot during the last 15-20 years
  - Focuses on the human capital implications of corporate policies, asset pricing and household finance
  - Human capital refers to the skills, knowledge, and experience possessed by workers that contribute to firm productivity.
  - Blends research from finance, **labor economics**, personnel economics, organizational economics, and entrepreneurship

The Course

- In this course we focus on **labor and corporate finance:**
  - How do corporate decisions affect human capital allocation inside firms?
  - How do they affect worker careers?
  - How do market booms and busts affect human capital and worker careers?
  - How does government policies impact human capital inside firms?

- **We will not cover:**
  - Entrepreneurial Finance
  - Household Finance and Labor
  - Asset Pricing and Labor
  - Gender and Finance
  - Education and Finance
  - Inequality and Finance

The Course

- **Guiding principles:**
  - Relevant for both **economics** and **finance** students
  - PhD Course, but possible for advanced MSc students to attend
  - Possible for non-Helsinki students to attend
- **Design choices:**
  - Broad overview of the research field incorporating the basics
  - Narrow depth on a few papers (presentations)
  - Reading list is focused on **research frontier and surveys** rather than on **classics**
  - In-class teaching concentrated to one week
  - Individual guidance and choice of specialization (paper presentation, Course Paper)

Formal Objectives

- **Course objectives:** Introduce topics at the intersection of labor economics and corporate finance through five modules
  1. Mergers and acquisitions
  2. Corporate ownership forms
  3. Firm investments in new technologies
  4. Capital structure choices and bankruptcy
  5. Financial market booms and busts

- **Learning objectives:**
  - Analyze how corporate policies and ownership affect human capital within firms and the career trajectories of workers
  - Engage in policy discussions on how corporate decisions interact with labor markets
  - Understand how academic research in corporate finance and labor is done

Why Take the Course?

1. As we will see, corporate policies and events have long-run effects on careers of workers. **Your future careers.**

2. Many of you will end up in **managerial positions** or will be **analyzing firms** or **influencing government policy** in human capital intensive industries where **management of human capital is central for performance.**

3. You will learn **analytical skills** and **how to conduct research** in labor and finance through reading academic articles and preparing your Course Paper. This will **help with your thesis.**

About the Course

Structure

Structure of the Course

- **Lectures:** 5 x 90 min (+ intro lecture)
- **Paper presentations:** 5 x 90 min
- **Non-scheduled work:** 114 hours (reading list, presentation preparations, course paper)
- **Three elements:**
  1. Introductory Lecture + Sign-up for Paper Presentation
  2. Lecture Week + Paper Presentation + Course Paper Topic Choice
  3. Submission of Course Paper (and referee reports)

Structure of the Course

	Date	Time	Location	Type
Introduction (mandatory)	27.10.2025	12.30 - 14.00	Teams (online)	Lecture
Mergers and Acquisitions	10.11.2025	12.30 - 14.00	A305	Lecture
	10.11.2025	14.15 - 15.45	A305	Presentations
Corporate Ownership	11.11.2025	10.15 - 11.45	A303	Lecture
	11.11.2025	12.30 - 14.00	A303	Presentations
Firms and New Technologies	12.11.2025	12.30 - 14.00	A305	Lecture
	12.11.2025	14.15 - 15.45	A305	Presentations
Capital Structure and Bankruptcy	13.11.2025	12.30 - 14.00	Futurum	Lecture
	13.11.2025	14.15 - 15.45	Futurum	Presentations
Booms and Busts	14.11.2025	08.30-10.00	A411	Lecture
	14.11.2025	10.15-11.45	A411	Presentations

Important Deadlines and Material

- **Key deadlines:**
  - **31.10**: Sign up for student paper presentation
  - **7.11**: Presentation submission deadline
  - **10.11-14.11**: Lectures and presentations
  - **14.11**: Team and topic deadline for Course Paper
  - **5.12**: Course Paper deadline (and DL for PhD student reports)
- Everything is handled through **Moodle** (course material, sign-ups, submissions)
- If you can't access the published version of a paper, the latest working paper works equally well

About the Course

The Modules

Modules Overview

- **Modules in the course:**
  1. Mergers and Acquisitions
  2. Corporate Ownership Forms
  3. Firm Investments in New Technologies
  4. Capital Structure and Bankruptcy
  5. Financial Market Booms and Busts

- The modules are **interconnected:**
  - MnAs often involve a change in corporate ownership form
  - Different corporate owners have different incentives to invest in new technologies
  - These investments need to be financed somehow
  - Financial market booms and busts affects financing capabilities of firms, leading to waves in MnAs, ownership forms, investments in technologies, and bankruptcies

Mergers and Acquisitions

- An Overview of Mergers and Acquisitions
  - What are they, why do they take place, how common are they?
- Human Capital Motivations for M&As
  - Ending the quiet life, breach of implicit contracts, expanding internal labor markets, monopsony, and acquihires
- How do M&As Affect Human Capital?
  - Labor reallocation inside firms and career impact on workers
- M&As and Government Policy
  - Employment protection legislations, manager-worker alliances, and anti-trust regulations

Corporate Ownership Forms

- An Overview of Corporate Ownership
  - Which forms we will cover, how common are they, why it matters
- Family Firms
  - What makes them special, the family firm wage gap, and wage insurance
- State-Owned Enterprises
  - Soft budget constraints, employment objectives and privatizations
- Listed Firms
  - Dispersed ownership and initial public offerings

Corporate Ownership Forms

- Private Equity Buyouts
  - The PE business model, impact on workers and careers
- Government Ownership Policy
  - Taxation, privatization policy, IPO regulations, and corporate governance

Firm Investments in New Technologies

- An Overview of Firms and Technological Change
  - Technology in the labor market, historical context, foundational theories
- Firm Level Drivers of Technology Adoption
  - Competitive pressure, access, regulations, tax policy, ownership changes
- Effects on Human Capital of Technology Adoption
  - Firm level employment mix and career impacts
- Technology and Government Policy
  - R&D grants, tax incentives, education, and labor market regulations

Capital Structure and Bankruptcy

- An Introduction to Capital Structure and Bankruptcy
  - Capital structure theories, bankruptcy and restructuring
- Capital Structure, Bankruptcy and Human Capital
  - Ability to quit, costs from bankruptcy, strategic debt, key talent retention
- Risk Sharing Within the Firm
  - Wage and employment risk
- Government Policy
  - Employment protection legislation, minimum wages, etc.

Financial Market Booms and Busts

- An Introduction to Booms and Busts
  - Economic cycles, human capital in economic cycles
- Human Capital During Booms
  - Hiring difficulties, sectoral allocations of talent
- Human Capital During Busts
  - Financial constraints, layoffs, culling the work force
- Booms, Busts, and Careers
  - Graduating in a recession, economic cycles and careers
- Booms, Busts, and Policy
  - Employment protection legislation, government handouts

Assessment and Evaluation

Overview

Assessment and Evaluation

In-class Participation (20%)

In-class Participation (20%)

- The course has **10 in-class lectures** in total:
  - 5 regular lectures
  - 5 presentation sessions (by students)
- Each lecture counts for **2 points** (max 20 points). At the end of each lecture, students **tick their name on the attendance list** at the front
- **DO NOT COME TO CLASS SICK!**
  - No points for showing up sick
  - If you can provide credible evidence that you are sick you can compensate for absence. You **cannot compensate** for absence due to **work, trips or other lectures**.
  - No negotiation: participation points is only a small part of the over overall grade

Assessment and Evaluation

Student Paper Presentation (20%)

Student Paper Presentation (20%) - Overview

- **Goal:** Learn how to read and communicate academic research
- **Task:** Students present selected academic articles to class
  - One student, one paper: 9 min presentation
  - Two students, one paper: 18 min presentation
- **You will learn to:**
  - Identify the research question, data, and method
  - Summarize results and contributions clearly
  - Explain why the paper matters for research and policy
- You will receive 0 points for the presentation if you fail to show up for your own presentation

Student Paper Presentation (20%) - Do This

1. Choose a paper/slot from the paper presentation sign-up section on Moodle (max two names per paper, opens after this lecture ends)
2. If the paper/slot you chose has another student assigned to it, decide if you do the presentation separately (9 min) or jointly (18 min)
3. Prepare a presentation of the paper and submit your presentation to through Moodle **before 7.11** (both submit if you present jointly)
4. Present the paper to class and **be ready to answer questions afterwards**

Student Paper Presentation (20%) - Tips for a Good Presentation

- Focus on the **big picture**: what question the paper asks and why it matters
- Limit technical detail: explain methods at the right level for your peers
- Use slides to **support**, not replace, your explanation
- Practice timing; 9 minutes is **short**
- Anticipate questions you might be asked

Student Paper Presentation (20%) - Typical Structure

1. **Introduction**
   - **Motivation:** broadly motivates the paper
   - **Question:** directly states the **research question**, what the paper does, and why
   - **Contribution:** explain how it advances the literature, and **why that is important**
2. **Data and Methods**
   - **Data:** what is the data used?
   - **Method:** how is the data analyzed and what are the **identification concerns**?
3. **Results and Mechanisms**
   - **Main result:** show the result, use figures where possible
   - **Mechanisms:** heterogeneity analyses and **explanations for the main result**
4. **Takeaways**
   - **Lessons:** what do we learn from this paper?
   - **Own assessment:** your own assessment of strengths and weaknesses of the paper

Student Paper Presentation - Grading Criteria

1. **Understanding of the paper (1,3,5: weak, satisfactory, excellent):** Shows clear grasp of the research question, data, method, and findings.
2. **Interpretation and insight (1,3,5):** Explains why the paper matters, discusses limitations, links to course themes.
3. **Structure and clarity (1,3,5):** Logical flow; slides concise and readable; timing respected.
4. **Delivery and engagement (1,3,5):** Clear speech, confident delivery without notes, answers questions well.

Assessment and Evaluation

Course Paper (60%)

Course Paper (60%) – Overview

- **Goal:** Develop and communicate a **credible** empirical research idea in **labor and finance**
- **Purpose:**
  - Learn how **causal reasoning in corporate finance and labor** works
  - Possibly create a foundation for a future MSc thesis/PhD thesis chapter
- **The paper must:**
  1. Ask a relevant **causal question** that can provide **economic insights**
  2. Propose a clear and credible **identification strategy**
  3. Have and plausible **economic mechanism** behind the identified effect

Course Paper (60%) – Overview

- **You can submit either:**
  - A **short empirical paper** with (preliminary) results, or
  - A **pre-analysis plan** describing the full research design
- **Deliverable 1: Idea note (1 page, 5p)**
  - Title, team, research question, short motivation, and two references.
  - Submit at end of the lecture week via Moodle (DL 14.11)
- **Deliverable 2. Final paper (10 pages, 55p)**
  - **Max 10 pages, 12pt, 1.5 spacing** (including title page and references)
  - Add a short **AI disclosure** as an appendix (not counted towards 10 page limit)
  - Submit as one PDF through Moodle (DL 5.12)
- Work **alone or with a friend or two** (max 3 students).

Course Paper – Grading

- **Evaluation criteria:**
  1. **Causal question and motivation (0–10)**
     Clarity, originality, literature placement and economic insight.
  2. **Identification and design (0–15)**
     Credible causal logic and awareness of validity threats.
  3. **Mechanism and interpretation (0–10)**
     Economic reasoning explaining why the effect exists and how it is tested.
  4. **Evidence or pre-analysis plan (0–10)**
     Quality of empirical implementation or plan (tests, tables and figures).
  5. **Writing and structure (0–10)**
     Clarity and organization.

- Grading focuses on **economic reasoning and research credibility**. A good pre-analysis plan with a strong idea and credible design can earn top marks.

Examples of Good Causal Questions Using Orbis

- **Does access to external finance affect firm employment growth?**
  Identification: Compare firms before and after a bank closure or credit shock.
  Mechanism: Financial constraints limit hiring and expansion.

- **Do leveraged buyouts affect employee wages or turnover?**
  Identification: DiD comparing buyout targets vs. matched non-targets.
  Mechanism: Ownership changes alter management incentives and cost structures.

- **Do family firms adjust employment differently in recessions?**
  Identification: Compare family vs. non-family firms before and after downturns.
  Mechanism: Long-term orientation and internal capital markets shape labor decisions.

Examples of Good Causal Questions – Using Capital IQ Data

- **How do MnAs affect employee outcomes in target firms?**
  Identification: Compare target firms with similar non-targets (DiD).
  Mechanism: Restructuring and efficiency gains affect employment and wages.

- **Does investor activism influence firm-level gender pay gaps?**
  Identification: Event study around shareholder proposals or activist interventions.
  Mechanism: Governance pressure changes HR and compensation policies.

- **Do stock market listings increase employee wage inequality?**
  Identification: DiD between IPO firms and matched private peers.
  Mechanism: Stock-based incentives and market discipline reshape pay structures.

Examples of Good Causal Questions – Using Cross-Country Data

- **Do stronger employment protection laws reduce entrepreneurship?**
  Identification: Panel regressions with country and year fixed effects.
  Mechanism: Rigid labor markets deter entry and reallocation.

- **Does financial liberalization affect wage inequality?**
  Identification: Exploit timing of capital market reforms.
  Mechanism: Credit access and capital flows change sectoral wage premia.

- **Do minimum wage increases affect firm survival and investment?**
  Identification: Use differences in timing and intensity of reforms across countries.
  Mechanism: Labor cost shocks reallocate capital across firms.

Course paper - Shortcuts and Tricks

- **Replicate an existing study in another institutional environment**
  - Ideally published in well ranked journal + lots of cites
  - Make sure that data is available
  - Note: this is highly highly valuable work
- **Use existing experiment but replace the outcome**
  - *Plausibly Exogenous Galore* (950 papers and counting)
  - Data often available from journal homepage
- **Take inspiration from your own experiences**
  - Example: private provision of public services (Daniel)
  - Randomness and natural experiments
  - Data must be available

Course Paper (60%) – Structure and Content

- **Recommended outline (10 pages total):**
  1. **Introduction and motivation (1–2 pages)**
     - **Hook:** This is where you motivate your work as broadly as possible
     - **Question:** This is where you clearly state your research question, explain how you answer it, (and what your answer is)
     - **Antecedents:** One-paragraph mini literature review
     - **Value Added:** Your contributions (what is new?) and why this deserves to be published (so what if this is new?)
     - **Road map:** The remainder of this paper is organized as follows

Course Paper (60%) – Structure and Content

- **Recommended outline (10 pages total):**
  1. **Introduction and motivation (1–2 pages)**
  2. **Research design (3–4 pages)**
     Describe data, variables, and identification strategy. Discuss validity threats.
  3. **Results or expected results (1–2 pages)**
     Present findings or describe what you expect and why.
  4. **Mechanism (1–2 pages)**
     Discuss and analyze the economic mechanism linking treatment and outcome.
  5. **Conclusion and References (1 page)**
     State the main economic insight, its implications implications and include a reference list

Note: You **MUST** use in-paragraph citations (i.e don't fire off a long paragraph and then have a parenthesis with 10 citations at the end)

Course Paper – Pre-analysis Plan Checklist

Table 1

Pre-Analysis Plan Checklist

Item	*Brief description*
Primary outcome variable	The key variable of interest for the study. If multiple variables are to be examined, one should know how the multiple hypothesis testing will be done.
Secondary outcome variable(s)	Additional variables of interest to be examined.
Variable definitions	Precise variable definitions that specify how the raw data will be transformed into the actual variables to be used for analysis.
Inclusion/Exclusion rules	Rules for including or excluding observations, and procedures for dealing with missing data.
Statistical model specification	Specification of the precise statistical model to be used, hypothesis tests to be run.
Covariates	List of any covariates to be included in analysis.
Subgroup analysis	Description of any heterogeneity analysis to be performed on the data.
Other issues	Other issues include data monitoring plans, stopping rules, and interim looks at the data.

- Olken, Benjamin. (2015) ”Promises and Perils of Pre-Analysis Plans”, Journal of Economic Perspectives 29:61-80.

Course Paper – Note

- Topics related to Entrepreneurial Finance, Household Finance and Labor, Asset Pricing and Labor, Gender and Finance, Education and Finance, or Inequality and Finance are fine.
- Choose a question that has a clear causal interpretation.
- Be explicit about econometric assumptions and possible violations.
- Write clearly and concisely; every paragraph should have a purpose.
- Start early (though OK to change track later)
- Mind the AI policy!

Assessment and Evaluation

Referee Reports (for PhD students)

Referee reports (for PhD students)

- **Additional requirement for PhD students:**
  - 3 referee reports of 1-2 pages each
- You can freely choose **any working paper** in Labor and Finance (i.e. the paper cannot be accepted for publication)
- You **MUST** follow the guidelines in:

Berk, Jonathan B., Campbell R. Harvey, and David Hirshleifer. 2017. "How to Write an Effective Referee Report and Improve the Scientific Review Process." Journal of Economic Perspectives, 31 (1): 231–44.

Report Structure

1. **Importance of the idea**
   - Brief summary paragraph summarizing and discussion of importance.
2. **Problems that make the paper unpublishable**
   - If recommending Rejection: (crucial problems not fixable)
     - Far below the bar? If yes, a one-page report is acceptable.
     - Scientific justification provided. (Not: “I just don’t believe the proof/result.”)
   - If recommending a Revise and Resubmit: (crucial problems might be corrected in a revision)
     - Clear, scientific explanation of why the problem is critical.
     - Suggested changes/robustness checks (avoiding “make-work” for authors).
     - No hostage taking: if the paper is already publishable, make sure other possible improvements are in the suggestions section.
3. **Suggestions**
   - Problems with the paper that do not make it unpublishable—optional for authors

Other Points

- Scientific stance taken, so focus on substance
- Avoid speculations about ill-intent of authors
- Avoid a scolding or insulting tone
- Make sure all comments in the report are numbered, separately numbering in each section
- No long discursive paragraphs
- Verify that the report is consistent with the recommendation to the editor

Tips for PhD Students

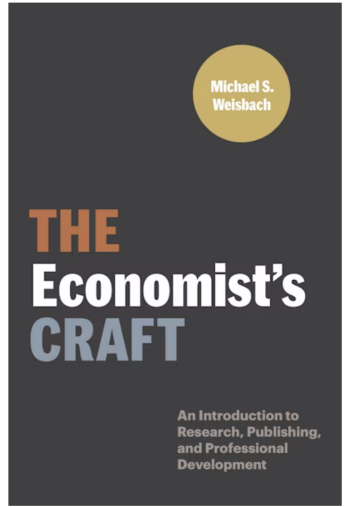
Economics & Finance

The Economist's Craft: *An Introduction to Research, Publishing, and Professional Development*

Michael S. Weisbach

An incisive guide that helps up-and-coming economists become successful scholars

Series:
Skills for Scholars



Assessment and Evaluation

The AI Policy

The AI Policy

- Hanken's official **AI policy** applies!
  - Everything you submit must be your **own work**. It is always prohibited to copy AI-generated content and present it as your own.
  - You must be able to explain when, how and why you have used AI.
  - Non-compliance will be taken as cheating and will be reported (so document use)
- **At a minimum** attach to the course paper as an appendix the official Hanken AI Course Report available here:

  `https://www.hanken.fi/en/students/learning-lab/ai-studies-hanken-guidelines-students`

Allowed AI Use

- **Permitted:**
  - Brainstorming research ideas, questions, mechanisms and hypotheses.
  - Exploring research designs or data sources conceptually for learning.
  - Brainstorming structure and arguments.
  - Having the AI generate ”referee reports” on your ideas/drafts to get structured feedback.
- **Encouraged:** Use AI early to refine your research question and approach.
- Always verify facts, citations and reasoning yourself. **You are responsible for all content.**

Prohibited AI Use

- **Not allowed:**
  - Submitting AI-generated text as your own. Everything submitted (presentation, paper) should be typed by **YOU!**
  - Generating or rewriting text or analysis.
  - Summarizing or paraphrasing literature using AI tools.
  - Using AI to draft sections of the paper or to produce citations.
- You must be able to **explain and defend** all ideas and arguments in your presentation/paper.
- If I suspect AI generated content in the course paper, I will invite you for a remote Q&A so I can check that you understand what you submitted.

Q&A

Overview

Questions and Feedback

?

- Send questions to joacim.tag@hanken.fi
- Make sure you are formally registered for the course in SISU and MOODLE.
- Remember to fill out feedback form at the end of the course!