

Private Equity and Human Capital Risk*

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April 12, 2015

Abstract

We analyze employee-level data of more than 190,000 employees who were affected by leveraged buyouts in Germany. All employees of LBO targets are matched to similar employees according to a range of characteristics. We study the impact of LBOs on employees' wages, employment, and their career paths and distinguish how LBOs affect different segments of the labor market. The overall influence of LBOs is positive for wages and negative for employment, but both effects are small compared to job turnover and wage changes observed for matching employees not affected by LBOs. Employees with more job-related skills, younger employees and those with less specific human capital tend to benefit most from LBO-related restructuring, consistent with the hypothesis that LBOs foster technological and organizational change and benefit those whose human capital is enhanced by these processes.

Keywords: Private Equity, Restructuring, Human Capital Risk, Employment, Wages

JEL classifications: G30, G34, J24, J31, M51.

*We thank seminar participants at Erasmus University Rotterdam. Nora Pankratz, Franziska Manke, and Simon Tatomir provided valuable research assistance.

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