

Discussion of

**The Impact of Going Public
on the Firm's Human Capital**

June 2019

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What the paper does

Investigates the impact of IPOs workforce **composition**

- IPO filings from Sweden for 98-11
- 100 completed and 34 withdrawn (mean size 14 emp.)
- IV for completion: 3-month SIX returns (Bernstein 2015)

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Hypotheses

- Relaxed financial constraints allows firm to hire better workers
- Public status drives professionalization of workforce

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Evidence of workforce **quality upgrades**

- 18% increase in wages of new hires
- 30% SD increase in cognitive and non-cognitive skills
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Previous literature

- Borisov, Ellul, Sevilir 2015: **employment expands**
- Bernstein 2015: **inventor churn**
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Assessment: great topic, clear contribution, paper is promising

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Concerns

- Dynamic selection bias due to attrition
- Confounding IPO with reorganization of business group
- Income tax planning might drive results

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- Descriptive stats on observables of dropped firms
- Robustness using only IPOs for 00-09

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Checks for previously held board positions among new hires

Remark 2: Identification

Key assumptions for IV

- SIX returns must affect completion choice
- SIX returns can only affect hiring through completion
- Monotonicity in completion choice (all firms must want to withdraw as returns decline)

IV estimates identify effects only from **compliers**

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Concerns

- Uncertainty immediately affects hiring but not patenting
- Some firms might want to rush the IPO and some withdraw
- External validity (large effects, small firms, IT boom)

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Additional discussion and tests of IV assumptions

- Placebo test showing that SIX returns are unrelated to hiring outside of book building window
- Evidence of monotonicity (press reports, surveys)

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Additional discussion and checks relating to external validity

- Discussion on who likely complies
- Discussion of potential signs of biases that motivate IV
- Both OLS and IV estimates in tables
- Matched sample evidence and staggered treatment regressions in appendix on universe of IPOs

Remark 3: Mechanisms

Key for paper is mechanisms driving workforce composition

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Concerns

- Individual level analysis gives more weight to large firms
- Results remain if you control for proxies of financial constraints
- Evidence suggests performance does not improve post IPO

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Change the level of analysis

- Collapse data to firm level
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Heterogeneity analyses by prior access to capital/professionalization

- Firm age at IPO data
- PE/VC backed IPOs
- Spinouts/carveouts

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Discussion/analysis of relation between quality upgrades and performance

Minor remarks

General skills measure should not enter linearly since it is stanine based.

General skills regressions might suffer from gender bias since gender ratio changes (impute skills off brothers like Keloharju, Knüpfer, Tåg 2019)

Clarify how you decompose stayers, joiners, and leavers. Also: what happens to firms that do not hire in a year?

Discuss bias from controlling for endogenous variables (firm observables).

Check if acquiring takes place

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