

[Home](#) > [Small Business Economics](#) > Article

[Published: 01 April 2010](#)

Leveraged buyouts, private equity and jobs

[Kevin Amess](#)  & [Mike Wright](#)

[Small Business Economics](#) **38**, 419–430 (2012)

1994 Accesses | **30** Citations | [Metrics](#)

Abstract

Using a unique data set of 533 leveraged buyouts (LBOs) observed over the 1993–2004 period, covering all size ranges, the study conducts a systematic analysis to determine and quantify: (1) the effect of private equity (PE) and LBO governance on employment and (2) whether the size of the target firm impacts on post-buyout employment effects. After accounting for endogeneity, we find that LBOs, whether PE financed or not, do not have significantly different employment levels compared with a control sample of firms. Additionally, there are no employment effects contingent on the size of

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy policy](#).

Accept all cookies

[Manage preferences](#)

Access options

Buy article PDF

39,95 €

Price includes VAT (Poland)

Instant access to the full article PDF.

[Rent this article via DeepDyve.](#)

[Learn more about Institutional subscriptions](#)

Notes

1. In 1999 the proportion of PE-financed LBOs was 57%. Later, in the second wave, however, PE firms focussed on larger deals. Nevertheless, the proportion of PE-financed LBOs in 2004 was 38% (CMBOR [2006](#)).
2. This arises as financiers are able to negotiate

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

4. Models with one-period lags of wages and output were estimated but were found not to be significant. In addition, autocorrelation tests revealed that they were not required in order to aid the removal of autocorrelation.
5. The number of contiguous years of data required is determined by the instrument set used, which is explained later.
6. The instruments used in each equation are n_{it} , w_{it} , y_{it} lagged $t - 3$ to $t - 5$ for the first-differenced equations, and Δn_{it-3} , Δw_{it-3} , Δy_{it-3} for the levels equations. Appropriate instrument sets were selected using Hansen and serial correlation tests.
7. In order to control for the endogeneity of the LBO dummy variables we run a multinomial logit model and use the predicted probabilities as additional instruments. Measures relative to the industry average of output, wage rates, total assets and capital intensity are used as independent variables in the models.
8. The instruments used in each equation are n_{it} , w_{it} ,

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

effectiveness. *Journal of Applied Corporate Finance*, 21(1), 45–56.

Amess, K. (2002). Management buyouts and firm-level productivity: Evidence from a panel of UK manufacturing firms. *Scottish Journal of Political Economy*, 49(3), 304–317.

Amess, K. (2003). The effect of management buyouts on firm-level technical efficiency: Evidence from a panel of UK machinery and equipment manufacturers. *Journal of Industrial Economics*, 51(1), 35–44.

Amess, K., Brown, S., & Thompson, S. (2007). Management buyouts, supervision and employee discretion. *Scottish Journal of Political Economy*, 54(4), 447–474.

Amess, K., & Wright, M. (2007). The wage and employment effects of leveraged buyouts in the U.K. *International Journal of Economics and Business*, 14(2), 179–195.

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy policy](#).

Accept all cookies

[Manage preferences](#)

Boucly, Q., Sraer, D., & Thesmar, D. (2009). Job creating LBOs. Available at SSRN: <http://ssrn.com/abstract=1354087>. Accessed 28 March 2010.

CMBOR. (2006). *Quarterly review, Autumn 2006*. Nottingham: University of Nottingham, CMBOR.

Canyon, M., Girma, S., Thompson, S., & Wright, P. (2001a). Do hostile mergers destroy jobs? *Journal of Economic Behavior & Organization*, 45(4), 427–440.

Canyon, M., Girma, S., Thompson, S., & Wright, P. (2001b). Do wages rise or fall following a merger? *Oxford Bulletin of Economics and Statistics*, 66(5), 847–862.

Canyon, M., Girma, S., Thompson, S., & Wright, P. (2002). The impact of mergers and acquisitions on company employment in the United Kingdom. *European Economic Review*, 46(1), 31–49.

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy policy](#).

Accept all cookies

[Manage preferences](#)

Cressy, R., Munari, F., & Malipiero, A. (2007b). Creative destruction: evidence that buyouts cut jobs to raise returns. University of Birmingham working paper.

Cumming, D., Siegel, D. S., & Wright, M. (2007). Private equity, leveraged buyouts and governance. *Journal of Corporate Finance*, 13(4), 439–460.

Davis, S., Lerner, J., Haltiwanger, J., Miranda, J., & Jarmin, R. (2008). Private equity and employment. In J. Lerner & A. Gurung (Eds.), *The global impact of private equity report 2008, globalization of alternative investments*. Working papers (Vol. 1, pp. 43–64). New York: World Economic Forum.

Fox, I., & Marcus, A. (1992). The causes and consequences of leveraged management buyouts. *Academy of Management Review*, 17(1), 62–85.

Harris, R., Siegel, D. S., & Wright, M. (2005). Assessing the impact of management buyouts on economic efficiency: Plant-level evidence from the United

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

investment performance. *Journal of Finance*, 62(1), 251–301.

Holmstrom, B. (1989). Agency costs and innovation. *Journal of Economic Behavior & Organization*, 12(3), 305–327.

International Trade Union Confederation. (2007). *Where the house always wins: private equity, hedge funds and the new casino capitalism*. Brussels: International Trade Union Confederation.

Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance and takeovers. *American Economic Review*, 76(2), 323–329.

Jensen, M. C. (1989). Eclipse of the public corporation. *Harvard Business Review*, 67(5), 61–75.

Jensen, M. C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *Journal of Finance*, 48(3), 831–880.

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

Kaplan, S. N., & Stromberg, P. (2009). Leveraged buyouts and private equity. *Journal of Economic Perspectives*, 23(1), 121–146.

Lichtenberg, F. R., & Siegel, D. (1990). The effects of leveraged buyouts on productivity and related aspects of firm behavior. *Journal of Financial Economics*, 27(1), 165–194.

Lutz, E., & Achleitner, A.-K. (2009). Angels or demons? Evidence on the impact of private equity firms on employment. *Zeitschrift für Betriebswirtschaft*, 5, 53–81.

McGuckin, R. H., & Nguyen, S. V. (2001). The impact of ownership changes: A view from labour markets. *International Journal of Industrial Organization*, 19(5), 739–762.

Meuleman, M., Amess, K., Wright, M., & Scholes, L. (2009). Agency, strategic entrepreneurship, and the performance of private equity-backed buyouts.

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

Opler, T., & Titman, S. (1993). The determinants of leveraged buyout activity: Free cash flow vs. financial distress costs. *Journal of Finance*, 48(5), 1985–1999.

Palepu, K. G. (1990). Consequences of leveraged buyouts. *Journal of Financial Economics*, 27(1), 247–262.

Palich, L. E., Cardinal, L. B., & Miller, C. C. (2000). Curvilinearity in the diversification-performance linkage: An examination of over three decades of research. *Strategic Management Journal*, 21(2), 155–174.

Scholes, M. L., Wright, M., Westhead, P., Burrows, A., & Bruining, H. (2007). Information sharing, price negotiation and management buyouts of private family-owned firms. *Small Business Economics*, 29(3), 329–349.

Seth, A., & Easterwood, J. (1993). Strategic redirection

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

corporate governance. *Journal of Finance*, 52(2), 737–783.

Smith, A. J. (1990). Corporate ownership structure and performance: The case of management buyouts. *Journal of Financial Economics*, 27(1), 143–164.

Storey, D. J. (1994). *Understanding the small business sector*. London: Thomson Learning.

Thompson, S., & Wright, M. (1995). Corporate governance: The role of restructuring transactions. *Economic Journal*, 105(430), 690–703.

Thompson, S., Wright, M., & Robbie, K. (1992). Management equity ownership, debt, and performance: Some evidence from UK management buyouts. *Scottish Journal of Political Economy*, 39(4), 413–430.

Treasury Select Committee. (2007). Private equity: Vol. 1 Report together with formal minutes. Tenth Report of Session 2006-07. HC567-1.

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy policy](#).

Accept all cookies

[Manage preferences](#)

diversification in large firms. *Strategic Management Journal*, 16(6), 447–460.

Wiklund, J., Patzelt, H., & Shepherd, D. A. (2009). Building an integrative model of small business growth. *Small Business Economics*, 32(4), 351–374.

Williamson, O. (1964). *The economics of discretionary behavior: Managerial objectives in a theory of the firm*. Englewood Cliffs, NJ: Prentice Hall.

Windmeijer, F. (2005). A finite sample correction for the variance of linear efficient two-step GMM estimators. *Journal of Econometrics*, 126(1), 25–51.

Wright, M., Burrows, A., Ball, R., Scholes, L., Meuleman, M., & Amess, K. (2007). *The implications of alternative investment vehicles for corporate governance: A survey of empirical research*. Report prepared for the Steering Group on Corporate Governance. Paris: OECD.

Wright, M., Hoskisson, R. E., & Busenitz, L. W. (2001). Firm rebirth: Buyouts as facilitators of strategic growth

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

Wright, M., Thompson, S., & Robbie, K. (1992). Venture capital and management-led leveraged buyouts: A European perspective. *Journal of Business Venturing*, 7(1), 47–71.

Zahra, S. A. (1995). Corporate entrepreneurship and financial performance: The case of management leveraged buy-outs. *Journal of Business Venturing*, 10(3), 225–247.

Acknowledgement

The authors wish to thank Sourafel Girma and Wallace Mullin (discussant at the 6th Industrial Organization Society Conference, Washington) for helpful comments.

Author information

Authors and Affiliations

**Nottingham University Business School,
Nottingham, UK**

Kevin Amess & Mike Wright

**Department of Economics, Finance and Control,
EMLyon, 23, av. Guy de Collongue, BP 174, Ecully**

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

About this article

Cite this article

Amess, K., Wright, M. Leveraged buyouts, private equity and jobs. *Small Bus Econ* **38**, 419–430 (2012).
<https://doi.org/10.1007/s11187-010-9280-9>

Accepted	Published	Issue Date
10 March 2010	01 April 2010	May 2012

DOI
<https://doi.org/10.1007/s11187-010-9280-9>

Keywords

Leveraged buyout

Private equity

Employment demand

JEL Classifications

G34

J23

L23

Search

Search by keyword or author

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy policy](#).

[Accept all cookies](#)

[Manage preferences](#)



Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)