Abstract

LBOs, Wages and Employment

The purpose of this study is to further our understanding of private equity investing and employment. If a neglected or under-capitalized business unit is sold to finance the leveraged buyout and under new ownership, the business grows and the number of employees increases, one would want to include these figures when evaluating employment in the aggregate. What are the employment patterns at divisions and establishments divested as part of the private equity investment process? Does employment growth in divested business units compensate for frequent employee layoffs at businesses retained by private equity funds? What happens to employee wages once firms are acquired by private equity funds? These questions are best tackled using the Census Bureau's LBD dataset. The LBD is derived from the Census Bureau's Business Register, which contains annual employment and wage figures for non-farm U.S. businesses with paid employees from 1976 to 2005. Employment figures in the LBD dataset are reported at the establishment level allowing us to control for divestitures. Establishments associated with a firm prior to being acquired can continue to be consolidated post-acquisition, even if the establishments are sold.