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The Effects of Corporate Bonds on Employment: The Greek Case

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Abstract

The majority of corporate bonds that are issued by private or public companies are traded over-the-counter (OTC) rather than on stock exchanges. The reason that a firm issues a bond is to raise financing for various expenditures (e.g. M&A, R&D, ongoing operations, new projects). The Greek economic crisis began in 2009 and is still ongoing, which has affected companies in a negative manner to borrow funds from the banking system and has an impact on their behavior due to increased financial pressure.

Therefore, we are going to investigate the relationship between the issuance of corporate bonds from Greek listed firms and the effect on employment pre and post crisis and how the access to this kind of external financing from different types of firms or different industrial sectors has an impact on employment. As the hiring of new employees or an increase on wages or an increase of R&D expenses are linked to investment choices and investment is partially driven by access to finance, employment growth should be partially driven by external financing, and thus the issuance of corporate bonds.

The data covers the period 1998-2014 taken from three different sources. The data for corporate bonds were taken from the Athens Stock Exchange and Bloomberg database, while the companies' characteristics from WRDS Compustat. A panel data econometric approach is going to be used in order to uncover this relationship.

Keywords: Corporate Bonds, Employment, Wages, Financial Pressure, Greek Crisis

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