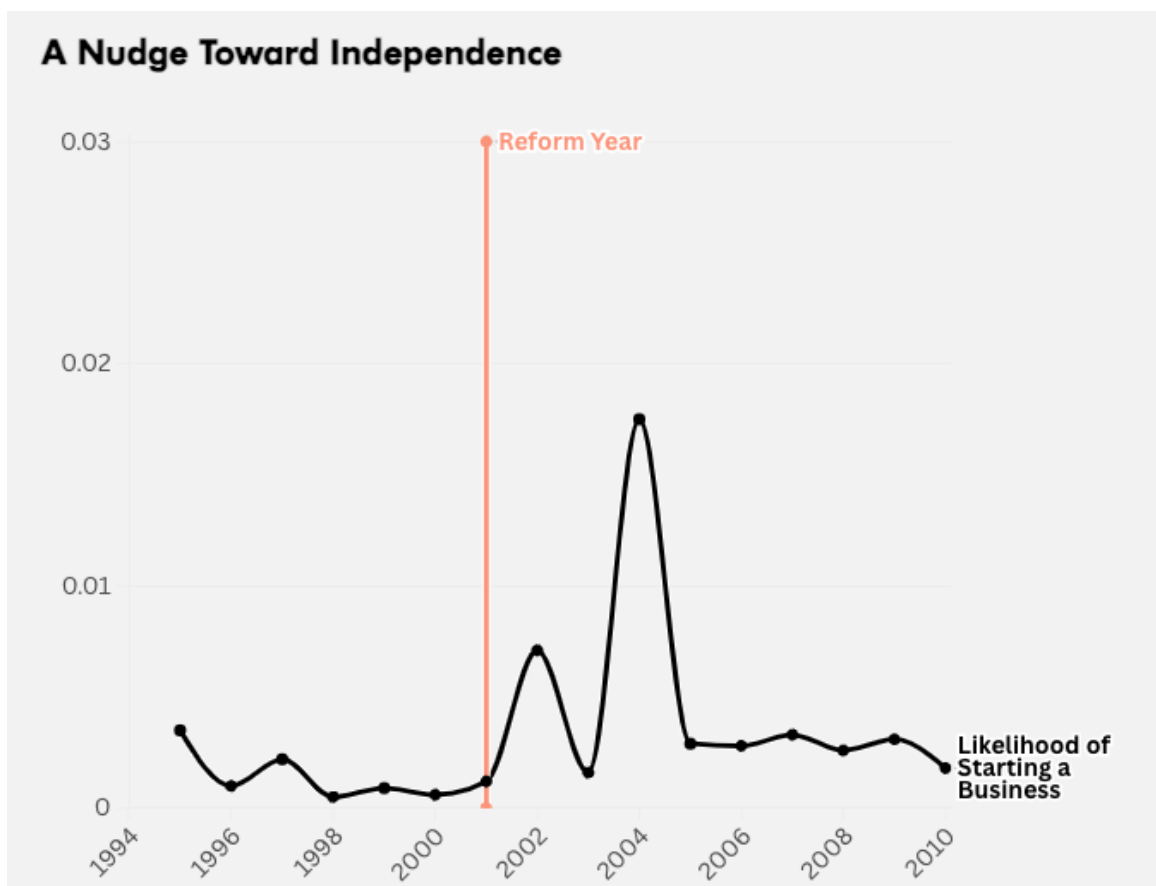


In this issue:

- Employees facing greater unemployment risk are more likely to become entrepreneurs – New research
- Large banks prioritize superior liquidity services but offer lower deposit rates compared to small banks – Podcast
- ETFs can have market-wide impacts, including increased price volatility – Video interview
- From sustainability to banking and corporate governance, SHoF researchers drives change outside academia

# How Job Insecurity Pushes Employees Towards Entrepreneurship



Source: Hou et al., 2024 Journal of Financial Economics • Workers at small firms (fewer than 11 employees) are slightly more likely to start businesses, especially after a 2001 reform exempting two employees from strict seniority rules. This chart tracks the effect of small firm employment on entrepreneurship (1995–2010). The pink line marks the reform's introduction, highlighting increased unemployment risk. Estimates reflect averages and include statistical uncertainty; not all effects are significant.

Sweden's 2001 reform to "last-in-first-out" dismissal rules allowed small firms to exempt two employees from seniority-based layoffs. [Research](#) by **Ai Jun Hou**, **Sara Jonsson**, and with **Qinglin Ouyang** (Stockholm University), together with **Xiaoyang Li** (Deakin University) found the changes increased job insecurity, leading to a 33% rise in entrepreneurship among affected workers over five years, without lowering venture quality.

#### Key Findings:

- Employees with greater unemployment risk are more likely to start businesses— especially those with longer tenures
- Entrepreneurs who transitioned due to increased unemployment risk performed on par with those less affected, showing no significant differences in business survival, income dynamics, or firm performance metrics
- Rigid employment protection policies, while beneficial for job security, may inhibit entrepreneurial activity

SHoF maintains formal collaborations with several [leading institutions](#) in financial research across Sweden, including Stockholm University.

[Read more](#)

---

## RESEARCH IN THE SPOTLIGHT

### Using AI to Explore the Hidden Dynamics of Bank Deposits

**Adrien d'Avernas** (SHoF/SSE) used AI to transform his research into a [podcast](#) about the hidden dynamics of deposit pricing, revealing that large banks offer lower deposit rates compared to small banks.

Demographic factors, customer preferences, and service offerings play a role in shaping deposit rates, challenging the idea that deposit pricing is mainly driven by market concentration and pricing power.

[Listen here](#)

### Demystifying ETFs: Trends, Risks, and Market Impacts

Exchange-Traded Funds (ETFs) have transformed investing, offering a way to invest in diversified portfolios instead of single stocks or bonds.

However, the rise of ETFs — especially “specialized” ETFs — amplifies demand for underlying securities, increasing price volatility, and driving market-wide impacts, warns Professor **Itzhak Ben-David** (The Ohio State University) in an [interview](#) conducted during his visit to Stockholm.

[Watch here](#)

---

## The Impact of SHoF Researchers' Work

SHoF produces research that has an impact beyond academia. From sustainability to banking and corporate governance, the work by SHoF researchers shape policies, influence institutions, and tackle pressing challenges.

### Climate Policy

**Per Strömberg**, **Gustav Martinsson**, and **Christian Thomann**'s work on carbon taxes

### Sustainable Investment

**Mariassunta Giannetti**'s work on how sustainability ratings influence fund

has informed decision-making at the Swedish Ministry of Finance, the UN Subcommittee on Environmental Taxation, and the World Bank. Their insights have shaped OECD policies, with Thomann serving on the OECD's Scientific Council on Corporate Income Tax and Climate Change. This research has also gained media attention, featuring on Swedish Public Radio and German DW TV, further amplifying its impact.

managers' investment decisions and the tradeoff between sustainability and performance has shaped discussions at the United Nations Principles for Responsible Investment and informed asset manager practices globally. Her research highlights the complexities of aligning investor preferences with financial performance, providing critical insights into sustainable investing dynamics.

## Green Finance

**Marcus Opp's** study, Green Capital Requirements, has reached influential audiences, including Germany's Federal Ministry of Economics, the European Central Bank, and financial institutions worldwide. Their research offers actionable insights into balancing sustainability goals with financial regulations.

## Central Banking

**Adrien d'Avernas'** research on central bank balance sheets has been presented to the Federal Reserve, Banque de France, and the European Central Bank. These findings have helped central banks address treasury market disruptions and maintain financial stability.

## Supply Chain Dynamics

**Mariassunta Giannetti's** paper, Supply Chain Shortages, Large Firms' Market Power, and Inflation, reveals how large firms gain a competitive edge over smaller competitors during supply chain disruptions. The study has been featured on VoxEU, cited by the Financial Times, and discussed in podcasts. Giannetti has shared her insights with major central banks, including the European Central Bank, NorgesBank, and Banca d'Italia.

## Corporate Governance

**Alvin Chen's** study Production and Externalities: The Role of Corporate Governance earned the WRDS Best Paper Prize for its actionable strategies to address externalities. The WRDS Best Paper Prize is an award sponsored by Wharton Research Data Services to recognize impactful research in finance and related fields. His other paper, Firm Performance Pay as Insurance against Promotion Risk, has also been featured in the Harvard Law School Forum on Corporate Governance, bridging academic research and real-world applications.

---

## A message from SHoF

SHoF fellows publish research on many relevant topics. This year, some of the topics included the stability of the financial system, the growing role of institutions in asset management, the impact that's possible for sustainable investment, and how insolvency impacts employees.

[Explore the latest research](#)



“

*We thank our partners and friends for making SHoF a world-class institution. Without your generous contributions of funds, time, and effort, the center would not be possible.*

— BO BECKER, Director, Swedish House of Finance

---

# SWEDISH HOUSE OF FINANCE



The Swedish House of Finance (SHoF) is Sweden's national research center in financial economics. SHoF is a nonprofit, nonpartisan organization.