

On the real effects of financial pressure: evidence from euro area firm-level employment growth during the recent financial crisis

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Abstract

Using a large panel of unquoted euro-area firms over the periode 2003-2011, this paper examines the impact of financial pressure on firms' employment. The analysis finds evidence that financial pressure negatively affects firms' employment decisions. This effect is stronger during the 2007-2009 financial crisis, especially for firms in the periphery area compared to their counterparts in the core European economies. We can also find that impact of financial pressure on employment is more potent for firms classified as financially constrained and operating in periphery economies during the financial crisis.