

Discussion

by

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of

Astebro, Tag and Thompson 's

Hierarchies, the Small Firm Effect, and
Entrepreneurship: Evidence from Swedish
Microdata

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Where does entrepreneurship (self-employment) come from?

They come (disproportionally) from small firms *with no/few hierarchical layers*.

The *small firm effect* is not new, e.g. Blanchflower and Meyer (1994), SBE:

Probit coefficients of becoming self-employed coming from firms with 1, 2-5, 6-9, 10-14, 15-19 and 20+ workers:

-0.01, -0.32, -0.53, -0.55, -0.62, -0.75

The effect of hierarchies is new !

- It cannot explain the full small firm effect, but at least a part of it.
- It enriches our understanding of what organizational characteristics may hamper or stimulate entrepreneurship.
- It allows for a better testing of hierarchy-based theories of labor mobility.

Three points of attention

1. Rare events

Out of 1 million workers:

- 150,000 go to other firms
- 4,000 become self-employed
- 1,000 become entrepreneurs

What % are these of the startups in Sweden?

2. Alternative explanations

- It is young firms, not small firms
- Serial entrepreneurs
- The limited liability aspect (protection)
- Extra non-wage benefits in large companies
- Small firms are more likely to (have) exit(ed)
- Small firm growth more likely to lead to new firm
- Large firms more often in part of sectors where entry barriers are high

3. Are hierarchical levels well measured?

In 3 layer of management firms (prod. workers / supervisors / senior staff / director) there are some striking statistics:

- 14% of directors go down two steps on the ladder within 2 to 3 years and 7% even the full three steps.
- Only in 61% of firms is the number of prod.workers more than the number of supervisors.