

Business Distinguished Scholar Seminar Series 2024

FIRM-LEVEL LABOR-SHORTAGE EXPOSURE

We use FinBERT to extract information from earnings conference call transcripts to develop a novel and reliable measure of labor shortage exposure. We demonstrate the validity of our measure by showing that states with higher levels of labor-shortage exposure experience lower future unemployment rates but higher wage growth and local labor market tightness, while firms with higher labor-shortage exposure have greater growth in future per-employee staff expenses. Firms with labor-shortage exposures experience lower earnings call CARs, future stock returns and operating performance. Firms respond to labor shortages by substituting labor with capital and R&D investments, and by producing more production-process patents. Such measures mitigate the negative effects on future performance. Our results demonstrate a fruitful application of machine learning to finance and provide insight into labor-capital substitution in response to increasingly expensive and scarce labor.

 **18 June 2024 (Tuesday)**

 **10:00-11:30am**

 **SEK205, 2/F, Simon & Eleanor Kwok Building**

 **English**

SPEAKER

**PROF. JARRAD HARFORD PROFESSOR AND CHAIR
OF THE DEPARTMENT OF FINANCE AND BUSINESS
ECONOMICS, FOSTER SCHOOL OF BUSINESS
UNIVERSITY OF WASHINGTON**

Prof. Harford is a Professor of Finance, Paul Pigott-PACCAR Professor in Business Administration, and the Chair of the Department of Finance and Business Economics at the University of Washington, Seattle, US. He is the Managing Editor for the Journal of Financial and Quantitative Analysis (JFQA), which is ranked one of the four top-tier (4-star) journals in the departmental journal list. Prof. Harford's academic expertise is in business valuation, corporate finance, corporate governance, dividend and payout policy, stock splits, mergers and acquisitions, and private equity.

