

In this issue:

- Compensating workers based on the company's performance can act as a safety net, cushioning the financial impact of missed promotions
- Navigating corporate insolvency
- AI investment: Driving market upswings, innovation and market share distribution
- Could lowering labor protections spur entrepreneurship

## How Firms Use Performance Pay to Mitigate “Promotion Risk”



In today's complex work environment shaped by AI, remote work, and shifting demographics, career advancement has become more uncertain. A recent study introduces the idea of “promotion risk”—the chance of employees being passed over for promotion even when they perform well. [Research](#) by **Alvin Chen** reveals how companies can use firm performance pay as a form of insurance that mitigates the uncertainty of career advancement.

[Read more](#)

#### Key Findings:

- Promotion risk: Employees may be passed over for promotion despite strong individual performance
- Promotion paradox: Stronger company performance is often associated with more intense competition for promotion
- Firm performance pay as insurance: Incentive bonuses that increase with firm performance offset declines in promotion prospects
- Strategic application: Not all companies benefit equally from firm performance pay; its effectiveness depends on organizational structure and talent dynamics

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## VIDEO INTERVIEWS

**Navigating Corporate Insolvency: Lessons from Northvolt's Bankruptcy**  
**Bo Becker** (SHoF/SSE) discusses Chapter 11 and European Insolvency Systems in addition to the broader implications for corporate finance and policy in a filmed interview.

**Driving Market Upswings, Innovation and Market Share Distribution**  
Assistant Professor **Anastassia Fedyk** (Berkeley Haas) shares insights on AI Investment and what this means for firm performance and markets in an interview during her visit to Stockholm.

[Watch here](#)

[Watch here](#)

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## INTERVIEW

### Could Lowering Labor Protections Spur Entrepreneurship?

A recent study reveals that unemployment risk can drive entrepreneurship, showing how changes to Sweden's strict "last-in-first-out" (LIFO) dismissal rules reshaped the labor market. These changes encouraged employees to start their own businesses without compromising quality. What lessons can policymakers draw from this? Read our [interview](#) with **Ai Jun Hou** (Stockholm University), one of the researchers behind the study.

[Read more](#)

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## IN THE PRESS

[Major Banks Withdraw from Green Investments](#)  
2025-01-11 • Swedish • Sveriges Radio

**Bo Becker** (SHoF/SSE) discusses how major banks will remain committed to lending to renewable energy projects as long as they are profitable.

[UK companies outpace US counterparts in share buybacks](#)

2025-01-18 • English • Financial Times

**Alvin Chen** (SHoF/SSE) explains: while dividends are viewed as a commitment to shareholders, buybacks provide companies with greater flexibility and send a strong signal when shares are perceived as undervalued.

[Research making a real difference](#)

2025-01-22 • English • Financial Times

**Per Strömberg** (SHoF/SSE), **Christian Thomann** (SHoF/KTH) and **Gustav Martinsson** (SHoF/SU) conduct academic research with impact and were recently "highly commended" by the Financial Times Responsible Business Education Awards for their study on carbon pricing and firm emissions.

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