

# The Impact of Restricting Labor Mobility on Corporate Investment and Entrepreneurship

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## Abstract

I investigate the impact of restricting labor mobility on two components of growth: entrepreneurship and capital investment. To identify the mechanism, I combine LinkedIn's database of employment histories with staggered changes in the enforceability of non-compete agreements that come mostly from state supreme court rulings. Stronger enforceability leads to a substantial decline in employee departures, especially in knowledge-intensive occupations, and reduces entrepreneurship in corresponding sectors. However, these shocks increase the investment rate at existing knowledge-intensive firms. The estimates in my sample suggest that, in such sectors, there is roughly \$1.5 million of additional capital investment from publicly-held firms for every lost new firm entry.

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