

# Accepted Manuscript

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Woon Sau Leung , Khelifa Mazouz , Jie Chen , Geoffrey Wood

PII: S0378-4266(18)30035-9  
DOI: [10.1016/j.jbankfin.2018.02.008](https://doi.org/10.1016/j.jbankfin.2018.02.008)  
Reference: JBF 5302



To appear in: *Journal of Banking and Finance*

Received date: 16 September 2016  
Revised date: 22 January 2018  
Accepted date: 5 February 2018

Please cite this article as: Woon Sau Leung , Khelifa Mazouz , Jie Chen , Geoffrey Wood , Organization capital, labor market flexibility, and stock returns around the world, *Journal of Banking and Finance* (2018), doi: [10.1016/j.jbankfin.2018.02.008](https://doi.org/10.1016/j.jbankfin.2018.02.008)

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# Organization capital, labor market flexibility, and stock returns around the world

Woon Sau Leung<sup>a†</sup>, Khelifa Mazouza, Jie Chen<sup>a</sup>, and Geoffrey Wood<sup>b</sup>

† Corresponding author. Email: LeungWS1@cardiff.ac.uk. Tel: +44 (0)29 2087 6736.

<sup>a</sup> Cardiff Business School, Cardiff University, Cardiff CF10 3EU, United Kingdom.

<sup>b</sup> Essex Business School, University of Essex, Colchester CO4 3SQ, United Kingdom.

This version: 11 January 2018

## ABSTRACT

Using data from 20 OECD countries, we find that firms with greater organization capital have significantly higher stock returns and that this represents an international phenomenon. We also find new evidence that the positive association between organization capital and stock returns increases with labor market flexibility. This finding is consistent with greater labor mobility and competition in flexible labor markets rendering organization capital investment riskier from the shareholders' perspective.

**Keywords:** Organization Capital; Labor Market Flexibility; Intangible Assets; Stock Returns; Implied Cost of Capital

**JEL Classification:** G12; G15; K31; L23

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