

DIW Applied Micro Seminar

Business Owners, Employees and Firm Performance

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Abstract:

The novel Finnish Longitudinal OWNer-Employer-Employee (FLOWN) database was used to analyze how the characteristics of owners and employees relate to firm performance as determined by labor productivity, survival and employment growth. Focusing on the role of the owner's formal education and previous experience as an employee, the results show that previous experience in a high-productivity firm strongly predicts high productivity and probability of survival for the entrepreneur's new firm. This can be interpreted as evidence of knowledge spillover through labor mobility. Strikingly, firms established in times of intensive excess job reallocation were found to exhibit superior productivity performance in the later phases of their life cycles.