

Managerial Poaching and Talent Reallocation

Yi Chen¹

Fabiano Dal-Ri²

Thomas Jungbauer¹

Daniela Scur¹

¹Cornell University

²International Finance Corporation

Hong Kong University (HKU)

February 9, 2026

EDUCATION

FROM

- ▶ **Burgenland, AUSTRIA** but grew up in **Vienna**

EDUCATION

- ▶ **Mathematics** at **TU Vienna** (2004-06)
- ▶ **Business & Economics** at **WU Vienna** (WU) (2006-09)
- ▶ **Economics** at **IHS Vienna** (IHS) (2009-11)
- ▶ **Managerial Economics, Decision Sciences & Strategy** at **Kellogg School of Management, Northwestern University** (2011-16)

EMPLOYMENT

- ▶ **Strategy & Business Economics** at **Johnson School of Management, Cornell University** (2016-date)

Main Research Interest

Information

PLATFORMS

LABOR MARKETS

Main Research Interest

Information

PLATFORMS

LABOR MARKETS

How does AI affect these relationships?

Main Research Interest

Information

PLATFORMS

LABOR MARKETS

How does AI affect these relationships?

Other

INNOVATION

BRANDING

THEORY

PLATFORM DESIGN AND BIG DATA

- ▶ **Algorithm Transparency in Search Markets**
(w Raphael Boleslavsky & Mehdi Shadmehr)
- ▶ **Search Platforms: Big Data and Sponsored Positions**
(w Maarten C.W. Janssen, Cole Williams & Marcel Preuss)
- ▶ **Optimally Informative Rankings and Consumer Search**
(w Maarten C.W. Janssen, Cole Williams & Marcel Preuss)
- ▶ **Online Advertising, Data Sharing, and Consumer Control**
(w Justin P. Johnson & Marcel Preuss)
- ▶ **Platforms, Search Advertising, and the Cold Start Problem**
(w Maarten C.W. Janssen & Cole Williams)

MARKETS FOR MANAGERS AND HIGH-SKILLED LABOR

- ▶ **Managerial Poaching and Talent Reallocation**
(w Fabiano Dal-Ri & D. Scur)
- ▶ **Education Signaling and Employer Learning Heterogeneity**
(w Yuhan Chen & Michael Waldman)
- ▶ **Strategic Wage Posting, Market Power and Mismatch**
- ▶ **The Strategic Decentralization of Recruiting**
(w Yi Chen & Zhe Wang)

ARTIFICIAL INTELLIGENCE (AI)

- ▶ **Reputation, Referrals (and Artificial Intelligence)**
(w Yi Chen & Mark Satterthwaite)
- ▶ **Digitization, AI, and Equilibrium Multiplicity in Modern Labor Markets**
(w Kevin Boudreau & Cole Williams)
- ▶ **The Disruption of Attention Platforms by Generative AI**
(w Chenyang Li, Xun Wu & Fei Xiao)
- ▶ **Machine Learning, Regularization, and Reporting Bias**
(w Yi Chen, Kai Du & Zhe Wang)
- ▶ **Generative AI Search Engines**
(w Justin P. Johnson & Marcel Preuss)

OTHER

INNOVATION:

- ▶ **The Organization of Innovation** (w S. Nicholson, M. Waldman, L. Wang)
- ▶ **Innovation and Eavesdropping** (w Y. Chen, J. Lemus)

OTHER

INNOVATION:

- ▶ **The Organization of Innovation** (w S. Nicholson, M. Waldman, L. Wang)
- ▶ **Innovation and Eavesdropping** (w Y. Chen, J. Lemus)

BRANDING:

- ▶ **Vertical Diff., Branding, and Product Confusion** (w C. Li, C. Schmid)
- ▶ **Branding Vertically Differentiated Product Lines** (w C. Schmid)

OTHER

INNOVATION:

- ▶ **The Organization of Innovation** (w S. Nicholson, M. Waldman, L. Wang)
- ▶ **Innovation and Eavesdropping** (w Y. Chen, J. Lemus)

BRANDING:

- ▶ **Vertical Diff., Branding, and Product Confusion** (w C. Li, C. Schmid)
- ▶ **Branding Vertically Differentiated Product Lines** (w C. Schmid)

GAME THEORY:

- ▶ **Actions and Signals** (w M. Waldman)
- ▶ **Self-Reported Signaling** (w M. Waldman)
- ▶ **Strategic Games beyond Expected Utility** (w K. Ritzberger)

WORKERS FOLLOW WORKERS

- ▶ **Worker referrals** account for a **substantial fraction** of hires, e.g., 30-50% in the US (Pieper et al., 2018), and even more in high-tech jobs (Burks et al., 2015).

WORKERS FOLLOW WORKERS

- ▶ **Worker referrals** account for a **substantial fraction** of hires, e.g., 30-50% in the US (Pieper et al., 2018), and even more in high-tech jobs (Burks et al., 2015).
- ▶ These **referrals** are often, however, **not** strictly **performance-based**:
 - ▶ Either because workers refer for **personal motives** (Beaman and Magruder, 2012; Kramarz and Skans, 2014), or because
 - ▶ workers simply **lack high-quality information** about their peers (Bentolila et al., 2010; Castilla and Harrison, 2013).

WORKERS FOLLOW WORKERS

- ▶ **Worker referrals** account for a **substantial fraction** of hires, e.g., 30-50% in the US (Pieper et al., 2018), and even more in high-tech jobs (Burks et al., 2015).
- ▶ These **referrals** are often, however, **not** strictly **performance-based**:
 - ▶ Either because workers refer for **personal motives** (Beaman and Magruder, 2012; Kramarz and Skans, 2014), or because
 - ▶ workers simply **lack high-quality information** about their peers (Bentolila et al., 2010; Castilla and Harrison, 2013).
- ▶ **Managers**, however, are a **special** type of worker and have
 - ▶ high-quality **personnel-specific information** through supervision and evaluation.
 - ▶ Their future **remuneration** and **promotion** depends on **worker performance**.

WORKERS FOLLOW WORKERS

- ▶ **Worker referrals** account for a **substantial fraction** of hires, e.g., 30-50% in the US (Pieper et al., 2018), and even more in high-tech jobs (Burks et al., 2015).
- ▶ These **referrals** are often, however, **not** strictly **performance-based**:
 - ▶ Either because workers refer for **personal motives** (Beaman and Magruder, 2012; Kramarz and Skans, 2014), or because
 - ▶ workers simply **lack high-quality information** about their peers (Bentolila et al., 2010; Castilla and Harrison, 2013).
- ▶ **Managers**, however, are a **special** type of worker and have
 - ▶ high-quality **personnel-specific information** through supervision and evaluation.
 - ▶ Their future **remuneration** and **promotion** depends on **worker performance**.
- ▶ **Our focus**:
 - ▶ We show how this **personnel-specific information** crucially contributes to the overall **impact** of managers moving across firms when **managers are poached**.

EXAMPLE: CONTRACTORS IN UPSTATE NY



- ▶ Commercial contractor Highland Contractors **poach** Eric Neu, **construction manager** and supervisor at home improvement contractor Oaks Production.

EXAMPLE: CONTRACTORS IN UPSTATE NY



- ▶ Commercial contractor Highland Contractors **poach** Eric Neu, **construction manager** and supervisor at home improvement contractor Oaks Production.
- ▶ Highland Contractors **raids** Oaks Production for 3 **carpentry service technicians** and negotiates with 2 more.

EXAMPLE: CONTRACTORS IN UPSTATE NY



- ▶ Commercial contractor Highland Contractors **poach** Eric Neu, **construction manager** and supervisor at home improvement contractor Oaks Production.
- ▶ Highland Contractors **raids** Oaks Production for 3 **carpentry service technicians** and negotiates with 2 more.
- ▶ Oaks Production **sues** Eric Neu for using “confidential **personnel-specific information** to poach high skilled carpentry service technicians that are hard to replace ... **breaching** his **confidentiality (no-poaching)** agreement”.

EXAMPLE: CONTRACTORS IN UPSTATE NY



- ▶ Commercial contractor Highland Contractors **poach** Eric Neu, **construction manager** and supervisor at home improvement contractor Oaks Production.
- ▶ Highland Contractors **raids** Oaks Production for 3 **carpentry service technicians** and negotiates with 2 more.
- ▶ Oaks Production **sues** Eric Neu for using “confidential **personnel-specific information** to poach high skilled carpentry service technicians that are hard to replace ... **breaching** his **confidentiality (no-poaching)** agreement”.
- ▶ The companies settle. **high profile**

THIS MATTERS: LABOR TURNOVER IS KEY

- ▶ (The right) **Labor turnover** is
 - ▶ essential for **firm performance** (Wang and Zatzick, 2019), and
 - ▶ an important indicator of **business dynamism** (Decker et al., 2017).

THIS MATTERS: LABOR TURNOVER IS KEY

- ▶ (The right) **Labor turnover** is
 - ▶ essential for **firm performance** (Wang and Zatzick, 2019), and
 - ▶ an important indicator of **business dynamism** (Decker et al., 2017).
- ▶ Reallocation of workers **from low to high** productivity opportunities is crucial for firms, and thus for a healthy economy.
 - ▶ Declining dynamism leads to fewer job opportunities, worse matches, longer unemployment spells, and lower wage growth (Akcigit and Ates, 2021).

THIS MATTERS: LABOR TURNOVER IS KEY

- ▶ (The right) **Labor turnover** is
 - ▶ essential for **firm performance** (Wang and Zatzick, 2019), and
 - ▶ an important indicator of **business dynamism** (Decker et al., 2017).
- ▶ Reallocation of workers **from low to high** productivity opportunities is crucial for firms, and thus for a healthy economy.
 - ▶ Declining dynamism leads to fewer job opportunities, worse matches, longer unemployment spells, and lower wage growth (Akcigit and Ates, 2021).
- ▶ “**Finding the right workers**” is commonly cited as a **key obstacle** for firm performance (Huselid, 1995) and business growth (Friedrich and Zator, 2025).

THIS MATTERS: LABOR TURNOVER IS KEY

- ▶ (The right) **Labor turnover** is
 - ▶ essential for **firm performance** (Wang and Zatzick, 2019), and
 - ▶ an important indicator of **business dynamism** (Decker et al., 2017).
- ▶ Reallocation of workers **from low to high** productivity opportunities is crucial for firms, and thus for a healthy economy.
 - ▶ Declining dynamism leads to fewer job opportunities, worse matches, longer unemployment spells, and lower wage growth (Akcigit and Ates, 2021).
- ▶ “**Finding the right workers**” is commonly cited as a **key obstacle** for firm performance (Huselid, 1995) and business growth (Friedrich and Zator, 2025).
- ▶ No-poaching agreements or exclusive contracts are **even worse** than previously thought.

THIS MATTERS: LABOR TURNOVER IS KEY

- ▶ (The right) **Labor turnover** is
 - ▶ essential for **firm performance** (Wang and Zatzick, 2019), and
 - ▶ an important indicator of **business dynamism** (Decker et al., 2017).
- ▶ Reallocation of workers **from low to high** productivity opportunities is crucial for firms, and thus for a healthy economy.
 - ▶ Declining dynamism leads to fewer job opportunities, worse matches, longer unemployment spells, and lower wage growth (Akcigit and Ates, 2021).
- ▶ “**Finding the right workers**” is commonly cited as a **key obstacle** for firm performance (Huselid, 1995) and business growth (Friedrich and Zator, 2025).
- ▶ No-poaching agreements or exclusive contracts are **even worse** than previously thought.
- ▶ In addition, our findings have **important consequences** for firms **poaching** managers, and firms **losing** their **managers** to poaching.

THIS PAPER

1. Build a stylized model of **asymmetric learning** and **managerial poaching**:
 - ▶ New theoretical insights that **managers** receive **information rents**, that lead to an **inefficient** level of **managerial poaching**.

THIS PAPER

1. Build a stylized model of **asymmetric learning** and **managerial poaching**:
 - ▶ New theoretical insights that **managers** receive **information rents**, that lead to an **inefficient** level of **managerial poaching**.
 - ▶ Generate **testable predictions** about **managerial poaching**, **information rents** and **talent reallocation**.

THIS PAPER

1. Build a stylized model of **asymmetric learning** and **managerial poaching**:
 - ▶ New theoretical insights that **managers** receive **information rents**, that lead to an **inefficient** level of **managerial poaching**.
 - ▶ Generate **testable predictions** about **managerial poaching**, **information rents** and **talent reallocation**.
2. **Test** these predictions with employer-employee matched data from **Brazil**:
 - ▶ **Significantly higher** level of co-movement following manager poaching events.
 - ▶ Evidence of **positive talent reallocation** and manager **information rents**.
 - ▶ **Rule out** alternative explanations for worker co-movement.

ROADMAP

1. **Data**
2. **The Model**
3. **Theoretical Results**
4. **Empirical Results**
5. **Discussion**

DATA

DATA: BRAZILIAN EMPLOYER-EMPLOYEE MATCHED DATA

- ▶ Full **administrative record** of formal employment in the country (2003-2017).
- ▶ **Employee** records: about 46 million employees per year
 - ▶ Data includes tax identifier, monthly earnings, start and end dates of their contract, cause of separation, occupation code and education level.
- ▶ **Establishment** records: about 68,000 firms with more than 50 employees
 - ▶ Accounts for about 60% of total formal employment.
 - ▶ Data includes firm and establishment identifiers, primary industry, municipality.
- ▶ Focus on 2010-2017 data for main analysis:
 - ▶ We use 2003-09 data to estimate AKM worker and firm fixed effects as proxies of employee ability and firm productivity. ▶ AKM ▶ proxy

DATA: BRAZILIAN EMPLOYER-EMPLOYEE MATCHED DATA

- ▶ Full **administrative record** of formal employment in the country (2003-2017).
- ▶ **Employee** records: about 46 million employees per year
 - ▶ Data includes tax identifier, monthly earnings, start and end dates of their contract, cause of separation, occupation code and education level.
- ▶ **Establishment** records: about 68,000 firms with more than 50 employees
 - ▶ Accounts for about 60% of total formal employment.
 - ▶ Data includes firm and establishment identifiers, primary industry, municipality.
- ▶ Focus on 2010-2017 data for main analysis:
 - ▶ We use 2003-09 data to estimate AKM worker and firm fixed effects as proxies of employee ability and firm productivity. ▶ AKM ▶ proxy
- ▶ **We then:**
 - ▶ Identify **poaching events** and document employee movements before and after.
 - ▶ Characterize **poached** managers, **raided** workers, **origin** and **destination** firms.

DEFINITIONS: POACHING EVENTS

- ▶ A **poaching event** is when an employee:
 - ▶ **moves directly** from one establishment (**origin**) to another (**destination**) of a different **firm** (no government establishments, < 30 days gap, no overlap).
 - ▶ has been **employed** at the origin firm for **at least a year**.
 - ▶ establishments have **between 50-1000 employees**.

DEFINITIONS: POACHING EVENTS

- ▶ A **poaching event** is when an employee:
 - ▶ **moves directly** from one establishment (**origin**) to another (**destination**) of a different **firm** (no government establishments, < 30 days gap, no overlap).
 - ▶ has been **employed** at the origin firm for **at least a year**.
 - ▶ establishments have **between 50-1000 employees**.
- ▶ **Between 2010 and 2017, we identify:**
 - ▶ ~ 4000 manager to manager poaching events.
 - ▶ ~ 5300 employee to manager poaching events.
 - ▶ ~ 81,000 employee to employee poaching events.
- ▶ We classify co-workers as **raided** if they moved from the **same origin firm** as the poached employee.

FIXING IDEAS: FIRMS AND WORKERS

- ▶ The median firm has about 285 employees, 1-2 establishments, and the median establishment has about 173 employees.

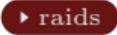
FIXING IDEAS: FIRMS AND WORKERS

- ▶ The median firm has about 285 employees, 1-2 establishments, and the median establishment has about 173 employees.
- ▶ The average **poached manager** is about 37 years old, with 3.75 years of tenure in the firm and 17 years of labor market experience.

FIXING IDEAS: FIRMS AND WORKERS

- ▶ The median firm has about 285 employees, 1-2 establishments, and the median establishment has about 173 employees.
- ▶ The average **poached manager** is about 37 years old, with 3.75 years of tenure in the firm and 17 years of labor market experience.
- ▶ Poaching mostly happens **within-industry**: about 32% of our firms are in manufacturing, 23% in services and 14% are in retail.

EMPIRICAL FRAMEWORK

1. We **document the patterns** of employee movements before and after poaching events.
 - ▶ Share of “raided” new hires, number of raided workers, probability of raids. 
2. We **characterize** the firms and employees across these moves to test the **predictions** of our model.
 - ▶ Firm productivity.
 - ▶ Relative ability and salary of raided workers and poached managers.

THE MODEL

MODEL OUTLINE

We present a stylized model of **asymmetric employer learning**:

- ▶ Firms **poach** another firm's **manager** to learn about **workers' abilities**.
- ▶ Poaching firms then **raid** high-ability **workers**.

MODEL OUTLINE

We present a stylized model of **asymmetric employer learning**:

- ▶ Firms **poach** another firm's **manager** to learn about **workers' abilities**.
- ▶ Poaching firms then **raid** high-ability **workers**.
- ▶ The model generates three key **testable predictions**:

MODEL OUTLINE

We present a stylized model of **asymmetric employer learning**:

- ▶ Firms **poach** another firm's **manager** to learn about **workers' abilities**.
- ▶ Poaching firms then **raid** high-ability **workers**.
- ▶ The model generates three key **testable predictions**:
 1. Managerial poaching induces **worker raids**.
 2. Managerial poaching induces **positive talent reallocation**.
 3. Poached managers command **information rents**.

MODEL OUTLINE

We present a stylized model of **asymmetric employer learning**:

- ▶ Firms **poach** another firm's **manager** to learn about **workers' abilities**.
- ▶ Poaching firms then **raid** high-ability **workers**.
- ▶ The model generates three key **testable predictions**:
 1. Managerial poaching induces **worker raids**.
 2. Managerial poaching induces **positive talent reallocation**.
 3. Poached managers command **information rents**.
- ▶ We show these **information rents** matter greatly for poaching.

THE SETUP

- ▶ 2 firms A and B with **productivities** $\rho_A \geq \rho_B$ (Hsieh and Klenow, 2009; Foster et al., 2008; Syverson, 2004).

THE SETUP

- ▶ 2 firms A and B with **productivities** $\rho_A \geq \rho_B$ (Hsieh and Klenow, 2009; Foster et al., 2008; Syverson, 2004).
- ▶ Firm i , $i \in \{A, B\}$, at the start of the game is endowed with a “present” **manager** m_i and a **worker** $a_i \in [\underline{a}, \bar{a}]$, $a_i \sim F(\cdot)$ (or have a vacancy).

THE SETUP

- ▶ 2 firms A and B with **productivities** $\rho_A \geq \rho_B$ (Hsieh and Klenow, 2009; Foster et al., 2008; Syverson, 2004).
- ▶ Firm i , $i \in \{A, B\}$, at the start of the game is endowed with a “present” **manager** m_i and a **worker** $a_i \in [\underline{a}, \bar{a}]$, $a_i \sim F(\cdot)$ (or have a vacancy).
- ▶ Firms **privately learn** their own worker's ability.

THE SETUP

- ▶ 2 firms A and B with **productivities** $\rho_A \geq \rho_B$ (Hsieh and Klenow, 2009; Foster et al., 2008; Syverson, 2004).
- ▶ Firm i , $i \in \{A, B\}$, at the start of the game is endowed with a “present” **manager** m_i and a **worker** $a_i \in [\underline{a}, \bar{a}]$, $a_i \sim F(\cdot)$ (or have a vacancy).
- ▶ Firms **privately learn** their own worker’s ability.
- ▶ Firms maximize

profits $\pi_i \equiv y_i - c_i$, with

production $y_i = \rho_i a_i$ and cost $c_i = (s_i + 1_i^m t_m) + (w_i + 1_i^w t_w)$

THE SETUP

- ▶ 2 firms A and B with **productivities** $\rho_A \geq \rho_B$ (Hsieh and Klenow, 2009; Foster et al., 2008; Syverson, 2004).
- ▶ Firm i , $i \in \{A, B\}$, at the start of the game is endowed with a “present” **manager** m_i and a **worker** $a_i \in [\underline{a}, \bar{a}]$, $a_i \sim F(\cdot)$ (or have a vacancy).
- ▶ Firms **privately learn** their own worker’s ability.
- ▶ Firms maximize

$$\text{profits } \pi_i \equiv y_i - c_i, \text{ with}$$

$$\text{production } y_i = \rho_i a_i \text{ and cost } c_i = (s_i + 1_i^m t_m) + (w_i + 1_i^w t_w)$$

- ▶ Firms can always hire “**junior**” **managers** (**workers**) at s (w)

THE GAME

The **timeline** of this **poaching game** with **asymmetric learning** is as follows:

THE GAME

The **timeline** of this **poaching game** with **asymmetric learning** is as follows:

1. Firms decide whether to attempt to **poach** the other firm's **manager**.

THE GAME

The **timeline** of this **poaching game** with **asymmetric learning** is as follows:

1. Firms decide whether to attempt to **poach** the other firm's **manager**.
2. (If successful,) firms decide whether to **retain** their worker, **replace** them with a junior worker or attempt to **raid** the other firm's **worker**.

THE GAME

The **timeline** of this **poaching game** with **asymmetric learning** is as follows:

1. Firms decide whether to attempt to **poach** the other firm's **manager**.
2. (If successful,) firms decide whether to **retain** their worker, **replace** them with a junior worker or attempt to **raid** the other firm's **worker**.
3. **Production** takes place, firms accrue **output** and **pay** managers/workers.

BARGAINING

- ▶ When a firm **attempts** to **poach** (**raid**) a manager (worker), an **offer** and **counter-offer** process ensues (Lazear, 1986).

BARGAINING

- ▶ When a firm **attempts** to **poach** (**raid**) a manager (worker), an **offer** and **counter-offer** process ensues (Lazear, 1986).
- ▶ Modeled as an **ascending clock** or “Japanese” **auction** (Milgrom and Weber, 1982).

BARGAINING

- ▶ When a firm **attempts** to **poach** (**raid**) a manager (worker), an **offer** and **counter-offer** process ensues (Lazear, 1986).
- ▶ Modeled as an **ascending clock** or “Japanese” **auction** (Milgrom and Weber, 1982).
- ▶ We focus on **sequential equilibria** (Kreps and Wilson, 1982) in which firms cease to offer with infinitesimal probability.
- ▶ In the **unique equilibrium**, the **winning** firm poaches (raids)/retains manager (worker) at the **highest salary** (**wage**) the **losing** firm is **willing to pay** to retain/poach.

EXTENSIONS

- ▶ **Multiple workers:** What are the effects of **additional workers** at firm A (B)?

EXTENSIONS

- ▶ **Multiple workers:** What are the effects of **additional workers** at firm A (B)?
- ▶ **Managerial Talent:** What if firms hire managers for their **managerial talent** and their **personnel-specific information**?

EXTENSIONS

- ▶ **Multiple workers:** What are the effects of **additional workers** at firm A (B)?
- ▶ **Managerial Talent:** What if firms hire managers for their **managerial talent** and their **personnel-specific information**?
- ▶ **Infinite horizon:**
 - ▶ We extend our model to an **overlapping generations** model.
 - ▶ Everyone lives for 2 periods.
 - ▶ **Arbitrary numbers** of workers at both firms.
 - ▶ **Timeline** repeats itself at the beginning of each period.

EXTENSIONS

- ▶ **Multiple workers:** What are the effects of **additional workers** at firm A (B)?
- ▶ **Managerial Talent:** What if firms hire managers for their **managerial talent** and their **personnel-specific information**?
- ▶ **Infinite horizon:**
 - ▶ We extend our model to an **overlapping generations** model.
 - ▶ Everyone lives for 2 periods.
 - ▶ **Arbitrary numbers** of workers at both firms.
 - ▶ **Timeline** repeats itself at the beginning of each period.
- ▶ **Discussions:**
 - ▶ Team production (complementarities)
 - ▶ Competition among $n > 2$ firms

THEORETICAL RESULTS

EQUILIBRIUM BEHAVIOR

Proposition 1 (simplified)

Fix an industry $(F, \rho_A, \rho_B, s, w, t_m, t_w)$. In equilibrium, firm B never poaches firm A 's manager. There is ρ'_A with $\rho_B < \rho'_A$ s. t.

1. if $\rho_A \leq \rho'_A$, a **no-poaching equilibrium** materializes.

EQUILIBRIUM BEHAVIOR

Proposition 1 (simplified)

Fix an industry $(F, \rho_A, \rho_B, s, w, t_m, t_w)$. In equilibrium, firm B never poaches firm A 's manager. There is ρ'_A with $\rho_B < \rho'_A$ s. t.

1. if $\rho_A \leq \rho'_A$, a **no-poaching equilibrium** materializes.
2. If $\rho_A > \rho'_A$, a **poaching equilibrium** materializes: there is a_P^* , and a strictly increasing function $\alpha(a)$ such that firm A poaches firm B 's manager if and only if $a_A < a_P^*$. It then

EQUILIBRIUM BEHAVIOR

Proposition 1 (simplified)

Fix an industry $(F, \rho_A, \rho_B, s, w, t_m, t_w)$. In equilibrium, firm B never poaches firm A 's manager. There is ρ'_A with $\rho_B < \rho'_A$ s. t.

1. if $\rho_A \leq \rho'_A$, a **no-poaching equilibrium** materializes.
2. If $\rho_A > \rho'_A$, a **poaching equilibrium** materializes: there is a_P^* , and a strictly increasing function $\alpha(a)$ such that firm A poaches firm B 's manager if and only if $a_A < a_P^*$. It then
 - (a) **replaces** its worker with a junior worker if $a_A < a_A^F$ and $a_B \leq \alpha(a_A^F)$,
 - (b) **retains** its worker if $a_A \in [a_A^F, a_P^*]$ and $a_B \leq \alpha(a_A)$, and
 - (c) **raids** firm B 's worker if $a_B > \max\{\alpha(a_A^F), \alpha(a_A)\}$

EQUILIBRIUM BEHAVIOR (PROOF SKETCH)

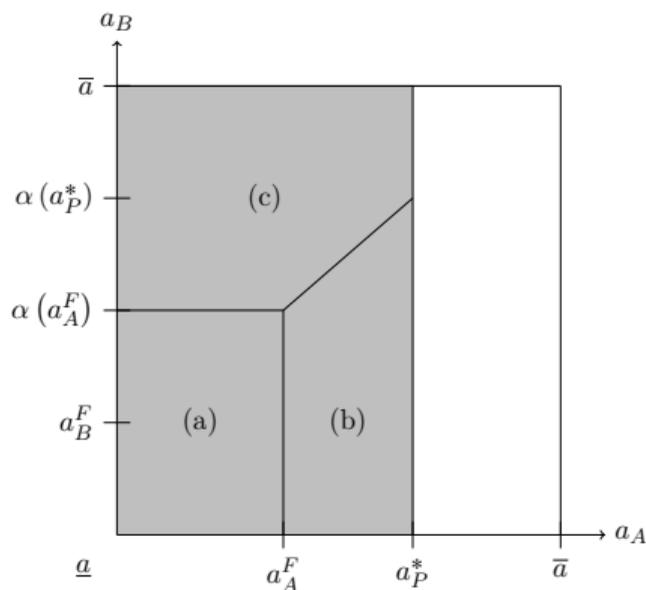


Figure 1: Equilibrium poaching behavior

EQUILIBRIUM BEHAVIOR (INTUITION I)

Proposition 1 (intuition)

- ▶ Suppose A hired B 's **manager**: it then pays $w_R(a_B)$ if it raids B 's worker, where

$$w_R(a_B) = \underbrace{w + t_w}_{\text{replacement cost}} + \underbrace{\rho_B (a_B - \mathbb{E}[a])}_{B\text{'s production loss}} \quad (1)$$

EQUILIBRIUM BEHAVIOR (INTUITION I)

Proposition 1 (intuition)

- ▶ Suppose A hired B 's **manager**: it then pays $w_R(a_B)$ if it raids B 's worker, where

$$w_R(a_B) = \underbrace{w + t_w}_{\text{replacement cost}} + \underbrace{\rho_B (a_B - \mathbb{E}[a])}_{B\text{'s production loss}} \quad (1)$$

- ▶ But in order to learn a_B , A needs to **poach** B 's **manager** at

$$s_P(a_B) = s + \underbrace{t_m + \mathbb{P}(a_B) [\rho_B (a_B - \mathbb{E}[a]) + t_w]}_{\text{"Information rent"}} \quad (2)$$

EQUILIBRIUM BEHAVIOR (INTUITION I)

Proposition 1 (intuition)

- ▶ Suppose A hired B 's **manager**: it then pays $w_R(a_B)$ if it raids B 's worker, where

$$w_R(a_B) = \underbrace{w + t_w}_{\text{replacement cost}} + \underbrace{\rho_B (a_B - \mathbb{E}[a])}_{B\text{'s production loss}} \quad (1)$$

- ▶ But in order to learn a_B , A needs to **poach** B 's **manager** at

$$s_P(a_B) = s + \underbrace{t_m + \mathbb{P}(a_B) [\rho_B (a_B - \mathbb{E}[a]) + t_w]}_{\text{"Information rent"}} \quad (2)$$

- ▶ A **pays** B 's manager an **"information rent"**

EQUILIBRIUM BEHAVIOR (INTUITION II)

The manager's salary as expected by A :

$$\begin{aligned} \hat{s}_P(a_P) = & s + t_m + \int_{\alpha(a_A^F)}^{\alpha(a_P)} \frac{F(\alpha^{-1}(a))}{F(a_P)} (w_R(a) - w_e) dF(a) \\ & + \int_{\alpha(a_P)}^{\bar{a}} (w_R(a) - w_e) dF(a), \end{aligned} \tag{3}$$

EQUILIBRIUM BEHAVIOR (INTUITION III)

The equilibrium cutoff a_P^* :

$$\int_{\alpha(a_P^*)}^{\bar{a}} [\rho_A (a - a_P^*) - (w_R(a) - w_e) - t_w] dF(a) = (\hat{s}_P(a_P^*) - s_e) + t_m. \quad (4)$$

MANAGERIAL COMPENSATION

Proposition 2 (simplified)

Fix an industry with $\rho_A \leq \rho_A''$. Then (a) **junior managers** earn s , (b) **retained** managers s_e , while (c) **poached** managers earn s_P^* ranging from $\underline{s}_P = s + t_m$ to $\bar{s}^P = s + t_m - (w_e - w) + t_w + \rho_B(\bar{a} - \mathbb{E}[a])$, increasing in a_B .

MANAGERIAL COMPENSATION

Proposition 2 (simplified)

Fix an industry with $\rho_A \leq \rho_A''$. Then (a) **junior managers** earn s , (b) **retained** managers s_e , while (c) **poached** managers earn s_P^* ranging from $\underline{s}_P = s + t_m$ to $\bar{s}^P = s + t_m - (w_e - w) + t_w + \rho_B(\bar{a} - \mathbb{E}[a])$, increasing in a_B .

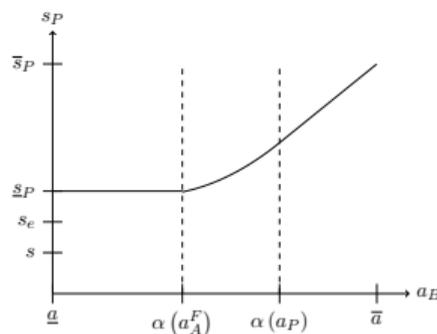


Figure 2: The salary of a poached manager

WELFARE

Proposition 3

Poaching, in expectation

WELFARE

Proposition 3

Poaching, in expectation

1. **increases** firm A 's profits
2. **decreases** firm B 's profits
3. always **benefits** poached (raided) **managers** (**workers**), and
4. **increases** social **welfare**, but
5. **not** to the **efficient** level

WELFARE LOSS

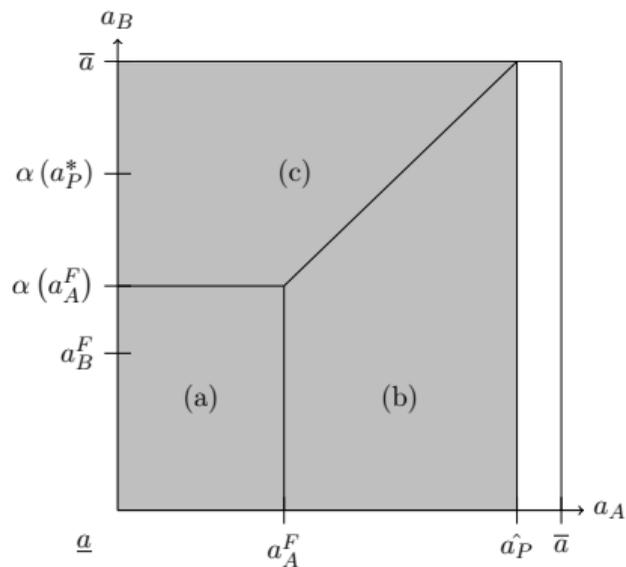


Figure 3: Welfare loss in equilibrium

WELFARE LOSS

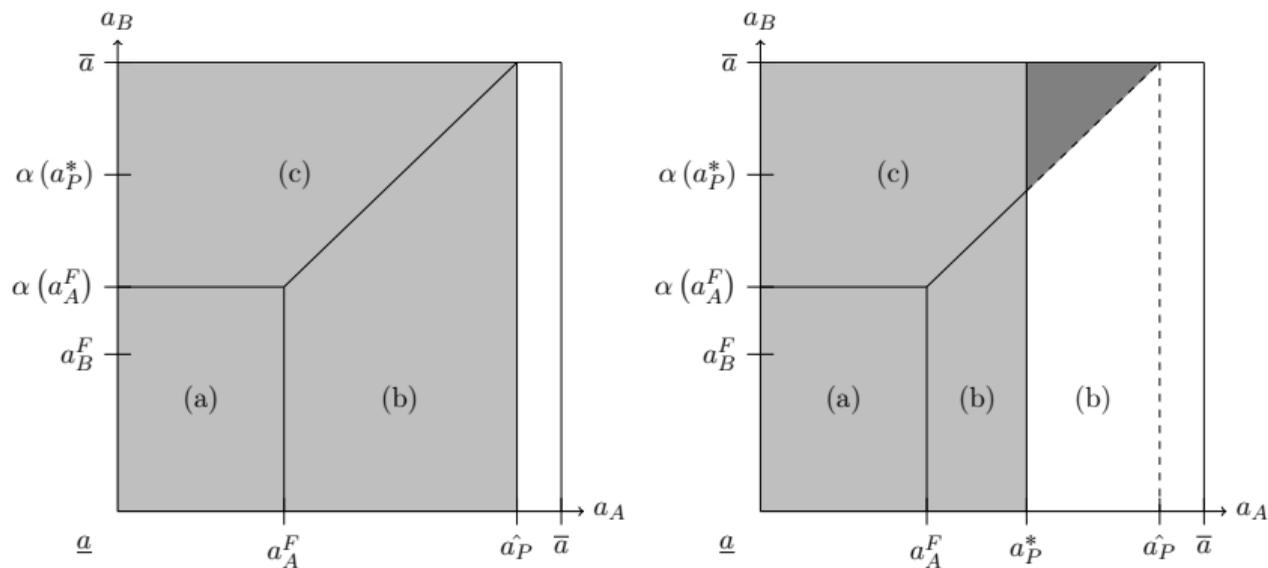


Figure 3: Welfare loss in equilibrium

INCREASED DEMAND

Proposition 4 (simplified)

Fix an industry with $\rho_A \in (\rho'_A, \rho''_A] \cap (\rho'_{A(2 \times 1)}, \rho''_{A(2 \times 1)}]$. Then,

1. $\hat{s}_{P(2 \times 1)}^* > \hat{s}_P^*$,
2. $a_{P(2 \times 1)}^* < a_P^*$, and
3. $\mathbb{P}_{(2 \times 1)} > \mathbb{P}$.

INCREASED DEMAND

Proposition 4 (simplified)

Fix an industry with $\rho_A \in (\rho'_A, \rho''_A] \cap (\rho'_{A(2 \times 1)}, \rho''_{A(2 \times 1)}]$. Then,

1. $\hat{s}_{P(2 \times 1)}^* > \hat{s}_P^*$,
2. $a_{P(2 \times 1)}^* < a_P^*$, and
3. $\mathbb{P}_{(2 \times 1)} > \mathbb{P}$.

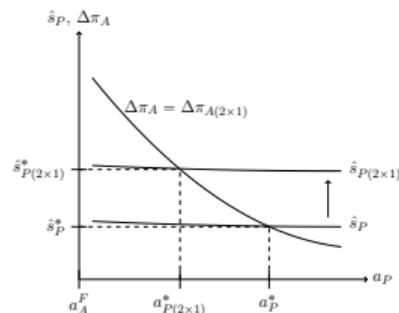


Figure 4: The effect of an additional worker at firm A

INCREASED SUPPLY

Proposition 5 (simplified)

Fix an industry with $\rho_A \in (\rho'_A, \rho''_A] \cap (\rho'_{A(1 \times 2)}, \rho''_{A(1 \times 2)}]$. Then,

1. $\hat{s}_{P(1 \times 2)}^* > \hat{s}_P^*$,
2. $a_{P(1 \times 2)}^* > a_P^*$, and
3. $\mathbb{P}_{(1 \times 2)} > \mathbb{P}$.

INCREASED SUPPLY

Proposition 5 (simplified)

Fix an industry with $\rho_A \in (\rho'_A, \rho''_A] \cap (\rho'_{A(1 \times 2)}, \rho''_{A(1 \times 2)}]$. Then,

1. $\hat{s}_{P(1 \times 2)}^* > \hat{s}_P^*$,
2. $a_{P(1 \times 2)}^* > a_P^*$, and
3. $\mathbb{P}_{(1 \times 2)} > \mathbb{P}$.

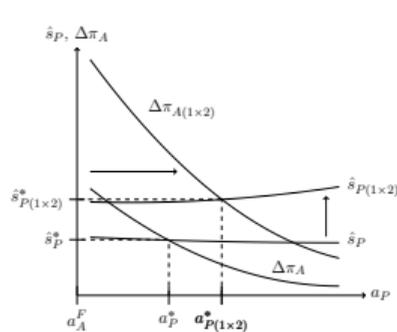


Figure 5: The effect of an additional worker at firm B

MANAGERIAL TALENT

Proposition 6 (simplified)

Fix an industry $(F, \rho_A, \rho_B, s, s_e, t_m, w, w_e, t_w)$ with managerial talent distribution G . In equilibrium, firm B never poaches firm A 's manager m_A . There is ρ'_A with $\rho_B < \rho'_A$ such that

1. if $\rho_A \leq \rho'_A$, a **no-poaching equilibrium** materializes: firm A does not poach firm B 's manager.

MANAGERIAL TALENT

Proposition 6 (simplified)

Fix an industry $(F, \rho_A, \rho_B, s, s_e, t_m, w, w_e, t_w)$ with managerial talent distribution G . In equilibrium, firm B never poaches firm A 's manager m_A . There is ρ'_A with $\rho_B < \rho'_A$ such that

1. if $\rho_A \leq \rho'_A$, a **no-poaching equilibrium** materializes: firm A does not poach firm B 's manager.
2. If $\rho_A > \rho'_A$, a **poaching equilibrium** materializes: there is an increasing function $\mu : a \mapsto \mu(a)$ such that firm A attempts poaching B 's manager if and only if $m_B - m_A > \mu(a)$. If firm A poaches firm B 's manager, its rationale when to replace, retain or raid a worker is the same as in Proposition 1.

ROBUSTNESS

Proposition 7 (simplified)

Fix an industry. In equilibrium, firm B **never poaches** firm A 's manager $m_A^{\tau-1}$, $\tau \in \mathbb{Z}$. There is ρ'_A , $\rho'_A > \rho_B$, such that

1. if $\rho_A \leq \rho'_A$, a **no-poaching equilibrium** materializes

ROBUSTNESS

Proposition 7 (simplified)

Fix an industry. In equilibrium, firm B **never poaches** firm A 's manager $m_A^{\tau-1}$, $\tau \in \mathbb{Z}$. There is ρ'_A , $\rho'_A > \rho_B$, such that

1. if $\rho_A \leq \rho'_A$, a **no-poaching equilibrium** materializes
2. If $\rho_A > \rho'_A$, a **poaching equilibrium** materializes:
 - (a) Firm A does **not always succeed** when attempting to poach $m_B^{\tau-1}$

ROBUSTNESS

Proposition 7 (simplified)

Fix an industry. In equilibrium, firm B **never poaches** firm A 's manager $m_A^{\tau-1}$, $\tau \in \mathbb{Z}$. There is ρ'_A , $\rho'_A > \rho_B$, such that

1. if $\rho_A \leq \rho'_A$, a **no-poaching equilibrium** materializes
2. If $\rho_A > \rho'_A$, a **poaching equilibrium** materializes:
 - (a) Firm A does **not always succeed** when attempting to poach $m_B^{\tau-1}$
 - (b) The average **frequency** of poaching **increases** in n_A and n_B
 - (c) The expected **salary** of a poached **manager increases** in n_A and n_B
 - (d) The expected **salary** of a **retained** manager **increases** in n_A and n_B
 - (e) Poaching **increases social welfare**, but **not** to the **efficient** level
 - (f) Poaching, on average, **benefits** firm A . It always **benefits** poached **managers** and **workers**, and **harms** firm B .

TESTABLE PREDICTIONS

1. **Managerial poaching** induces **raids**.
 - ▶ Firms hire managers (also) to identify and raid high ability workers.

TESTABLE PREDICTIONS

1. **Managerial poaching** induces **raids**.
 - ▶ Firms hire managers (also) to identify and raid high ability workers.
2. **Managerial poaching** induces **positive talent reallocation**.

TESTABLE PREDICTIONS

1. **Managerial poaching** induces **raids**.
 - ▶ Firms hire managers (also) to identify and raid high ability workers.
2. **Managerial poaching** induces **positive talent reallocation**.
 - ▶ More productive firms poach managers.
 - ▶ Poached managers raid high-ability workers.

TESTABLE PREDICTIONS

1. **Managerial poaching** induces **raids**.
 - ▶ Firms hire managers (also) to identify and raid high ability workers.
2. **Managerial poaching** induces **positive talent reallocation**.
 - ▶ More productive firms poach managers.
 - ▶ Poached managers raid high-ability workers.
3. **Poached managers** command **information rents**.

TESTABLE PREDICTIONS

1. **Managerial poaching** induces **raids**.
 - ▶ Firms hire managers (also) to identify and raid high ability workers.
2. **Managerial poaching** induces **positive talent reallocation**.
 - ▶ More productive firms poach managers.
 - ▶ Poached managers raid high-ability workers.
3. **Poached managers** command **information rents**.
 - ▶ Increasing in the demand for information.
 - ▶ Increasing in the supply (quantity and quality) of information.

EMPIRICAL RESULTS

TESTABLE PREDICTIONS

1. **Managerial poaching** induces **raids**.
 - ▶ Firms hire managers (also) to identify and raid high ability workers.
2. **Managerial poaching** induces **positive talent reallocation**.
 - ▶ More productive firms poach managers.
 - ▶ Poached managers raid high-ability workers.
3. **Poached managers** command **information rents**.
 - ▶ Increasing in the supply (quantity and quality) of information.
 - ▶ Increasing in the demand for information.

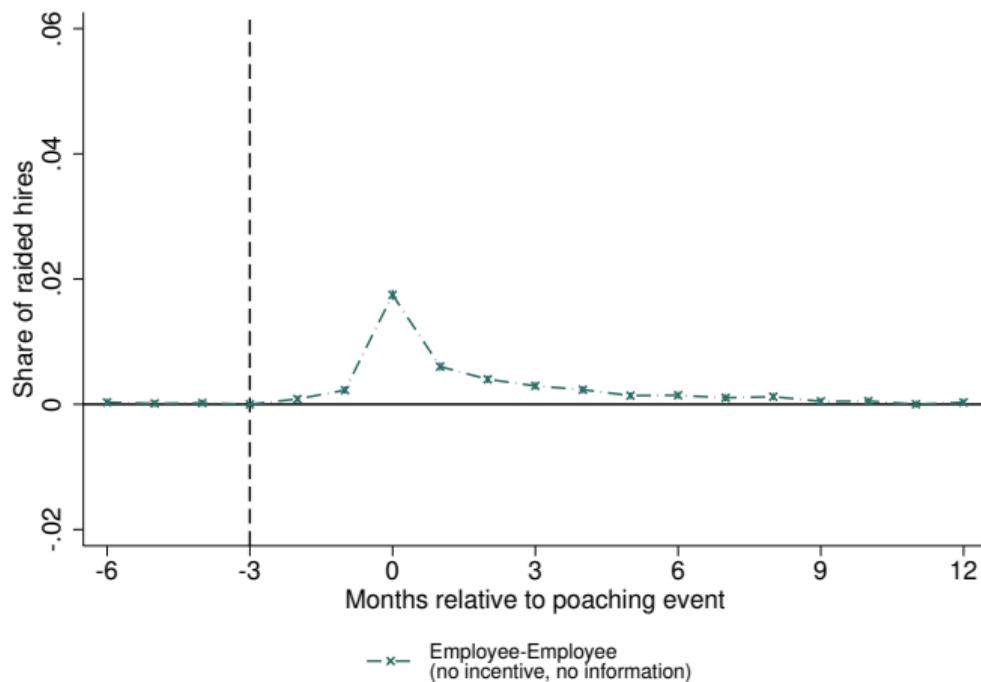
TESTABLE PREDICTIONS

1. **Managerial poaching** induces **raids**.
 - ▶ Firms hire managers (also) to identify and raid high ability workers.
2. **Managerial poaching** induces **positive talent reallocation**.
 - ▶ More productive firms poach managers.
 - ▶ Poached managers raid high-ability workers.
3. **Poached managers** command **information rents**.
 - ▶ Increasing in the supply (quantity and quality) of information.
 - ▶ Increasing in the demand for information.

1. MANAGERIAL POACHING INDUCES RAIDS

- ▶ When a firm poaches a **worker**, there is co-movement (referrals).

▶ eqn



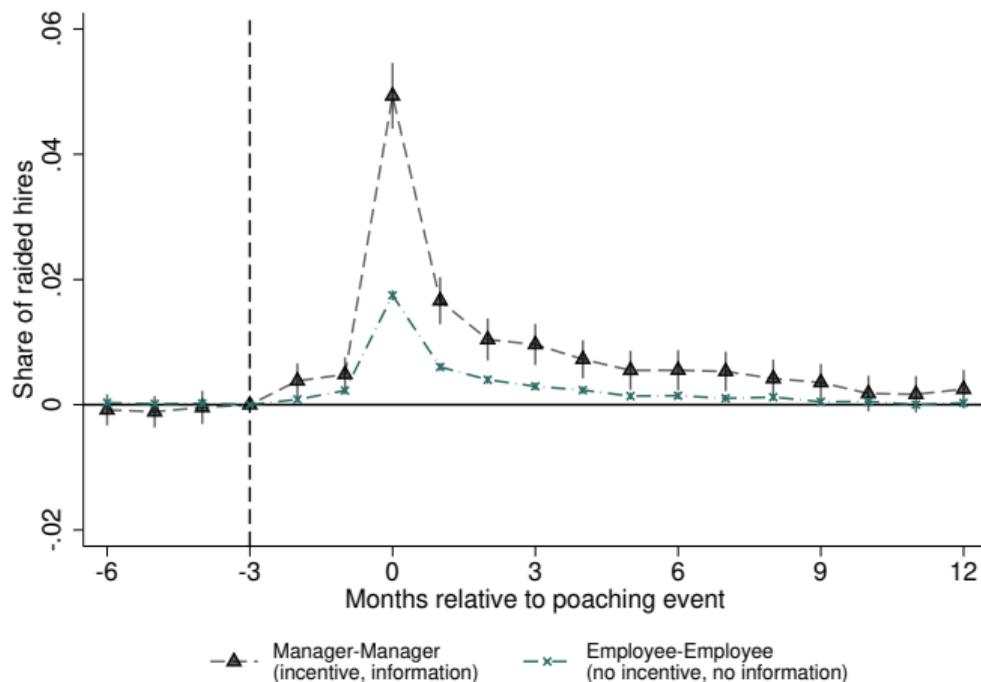
1. MANAGERIAL POACHING INDUCES RAIDS

- ▶ When a firm poaches a **worker**, there is co-movement (referrals).

▶ eqn

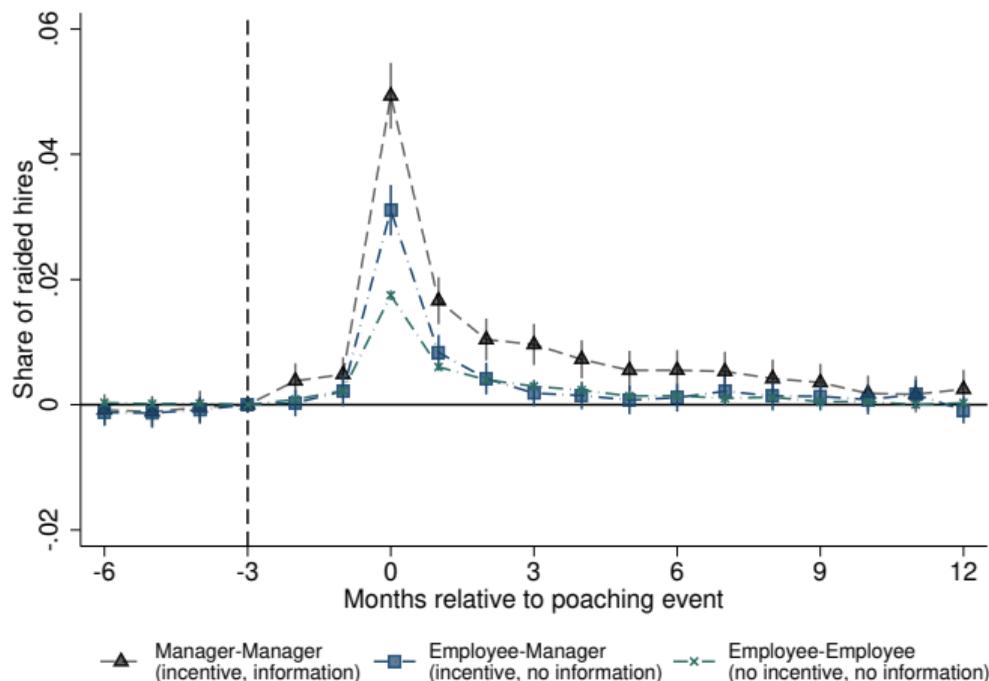
- ▶ When a firm poaches a **manager** ⇒ **significantly higher** share of “raids” (12pp more likely to raid)

▶ number



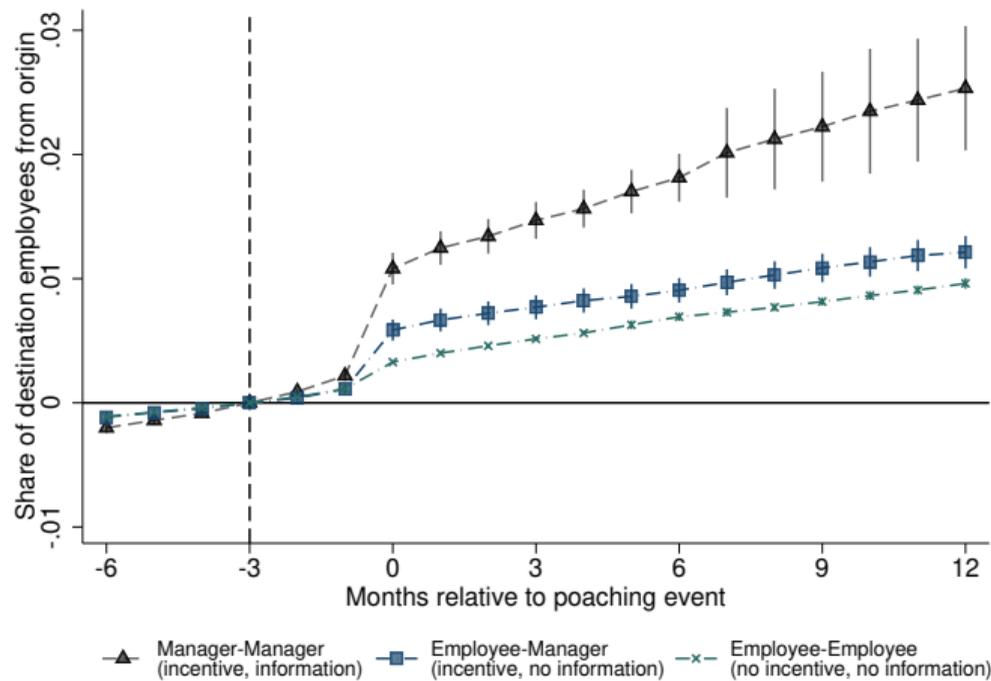
1. MANAGERIAL POACHING INDUCES RAIDS

- ▶ When a firm poaches a **worker**, there is co-movement (referrals).
▶ eqn
- ▶ When a firm poaches a **manager** ⇒ **significantly higher** share of “raids” (12pp more likely to raid)
▶ number
- ▶ It’s not just authority to hire – **information** seems to matter.



1. MANAGERIAL POACHING INDUCES RAIDS

- ▶ When a firm poaches a **worker**, there is co-movement (referrals).
▶ eqn
- ▶ When a firm poaches a **manager** ⇒ **significantly higher** share of “raids” (12pp more likely to raid)
▶ number
- ▶ It’s not just authority to hire – **information** seems to matter.
- ▶ Share of “raided” workers **grows** for the next 12 months at a **higher** relative rate.



TESTABLE PREDICTIONS

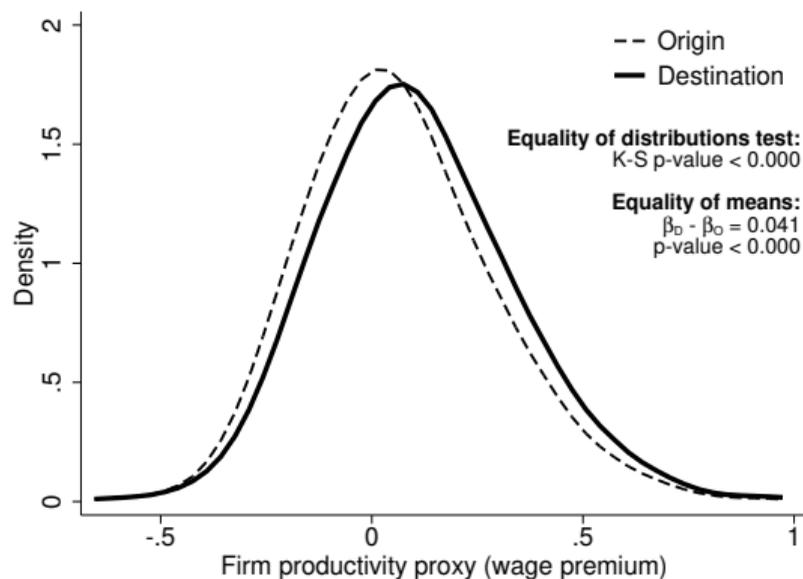
1. **Managerial poaching** induces **raids**.
 - ▶ *12pp higher likelihood of raids if the poached employee is a manager.*
 - ▶ *On average about 3 extra workers raided.*
 - ▶ *Higher rate of hires sustained over the next 12 months.*
2. **Managerial poaching** induces **positive talent reallocation**.
 - ▶ More productive firms poach managers.
 - ▶ Poached managers raid high-ability workers
3. **Poached managers** command **information rents**.
 - ▶ Increasing in the demand for information.
 - ▶ Increasing in the supply (quantity and quality) of information.

2. MANAGERIAL POACHING AND POSITIVE TALENT REALLOCATION

- ▶ More **productive** firms are the ones **poaching** and **raiding** workers.

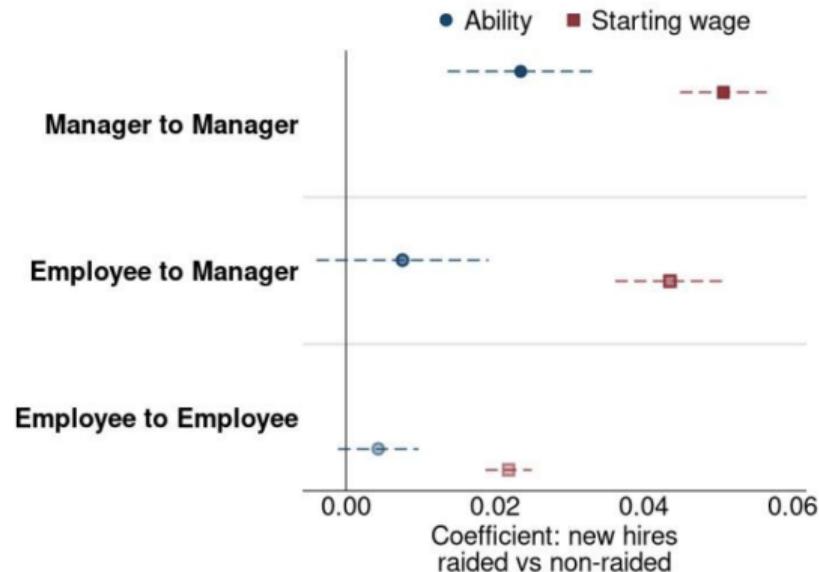
▶ productivity correlation

▶ cdf



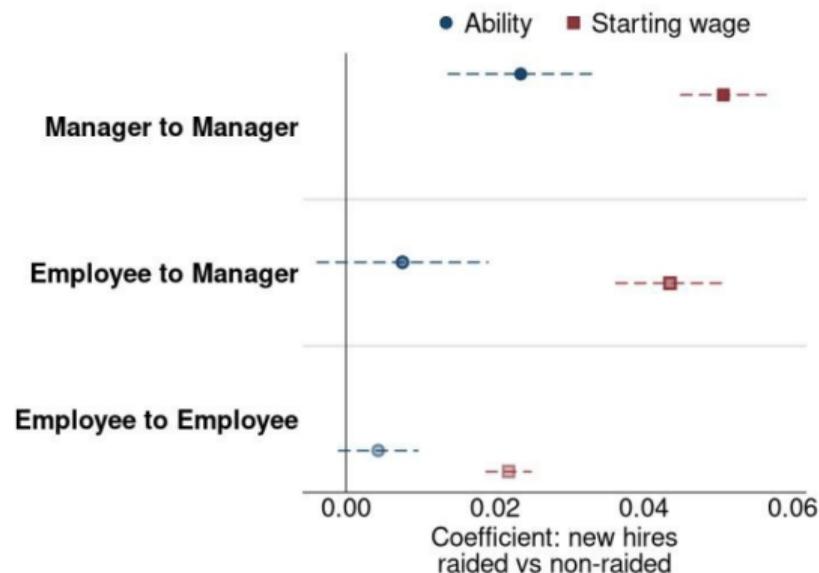
2. MANAGERIAL POACHING AND POSITIVE TALENT REALLOCATION

- ▶ More **productive** firms are the ones **poaching** and **raiding** workers.
 - ▶ productivity correlation
 - ▶ cdf
- ▶ Workers **raided** by origin managers tend to be “better” than **non-raided** new hires: higher **ability** and **starting wages**.
 - ▶ eqn



2. MANAGERIAL POACHING AND POSITIVE TALENT REALLOCATION

- ▶ More **productive** firms are the ones **poaching** and **raiding** workers.
 - ▶ productivity correlation
 - ▶ cdf
- ▶ Workers **raided** by origin managers tend to be “better” than **non-raided** new hires: higher **ability** and **starting wages**.
 - ▶ eqn
- ▶ Again, **information** seems to matter.

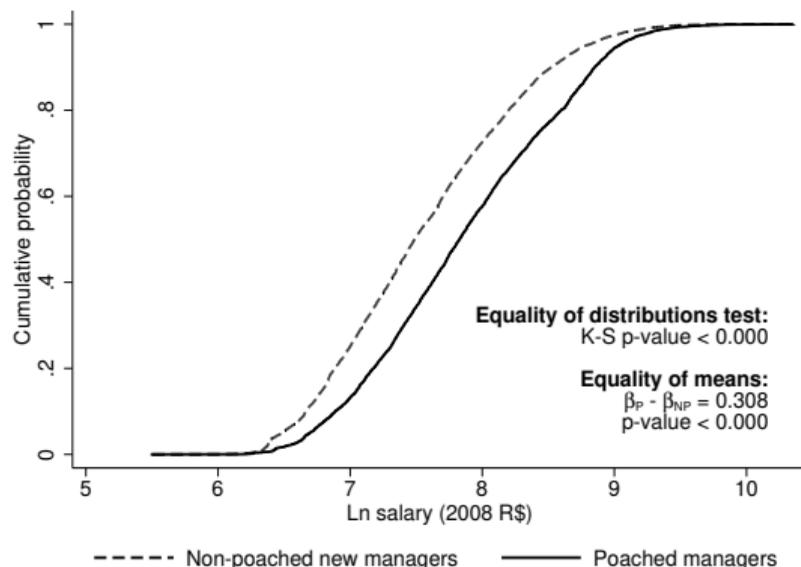


TESTABLE PREDICTIONS

1. **Managerial poaching** induces **raids**.
 - ▶ *12pp higher likelihood of raids if the poached employee is a manager.*
 - ▶ *On average about 3 extra workers raided.*
 - ▶ *Higher rate of hires sustained over the next 12 months.*
2. **Managerial poaching** induces **positive talent reallocation**
 - ▶ *Reallocation of better workers to more productive firms.*
3. **Poached managers** command **information rents**.
 - ▶ Increasing in the demand for information.
 - ▶ Increasing in the supply (quantity and quality) of information.

3. POACHED MANAGERS COMMAND INFORMATION RENTS.

- ▶ **Starting salary:**
 - ▶ Poached managers have higher starting salaries than non-poached managers (about 15-20%). [▶ pdf](#)
- ▶ **Demand for information:**
- ▶ **Supply of information:**



3. POACHED MANAGERS COMMAND INFORMATION RENTS.

▶ **Starting salary:**

- ▶ Poached managers have higher starting salaries than non-poached managers (about 15-20%). [▶ pdf](#)

▶ **Demand for information:**

- ▶ Higher at larger establishments/firms.

▶ **Supply of information:**

	Outcome: Manager ln(salary) at destination				
	(1)	(2)	(3)	(4)	(5)
Demand for information					
Destination establishment size (ln)	0.015** (0.007)	0.016** (0.007)	0.032*** (0.012)	0.016* (0.009)	0.026*** (0.009)
Supply of information					
Origin establishment size (ln)		0.018*** (0.007)	0.032*** (0.012)	0.018** (0.008)	0.017** (0.008)
Origin avg worker ability		0.249*** (0.028)	0.257*** (0.037)	0.237*** (0.042)	
Ability of raided workers					0.128*** (0.022)
Manager controls					
Manager salary at origin	✓	✓	✓	✓	✓
Manager experience	✓	✓	✓	✓	✓
Manager ability	✓	✓	✓	✓	✓
Destination estb controls					
Destination firm wage premium	✓	✓	✓	✓	✓
Obs	3,374	3,374	1,434	1,940	1,940
R-Squared	0.681	0.688	0.639	0.713	0.720
Sample	All	All	No Raid	>1 Raid	>1 Raid

3. POACHED MANAGERS COMMAND INFORMATION RENTS.

▶ **Starting salary:**

- ▶ Poached managers have higher starting salaries than non-poached managers (about 15-20%). [▶ pdf](#)

▶ **Demand for information:**

- ▶ Higher at larger establishments/firms.

▶ **Supply of information:**

- ▶ Higher at larger establishments/firm with better workers (in general and known to the manager).

	Outcome: Manager ln(salary) at destination				
	(1)	(2)	(3)	(4)	(5)
Demand for information					
Destination establishment size (ln)	0.015** (0.007)	0.016** (0.007)	0.032*** (0.012)	0.016* (0.009)	0.026*** (0.009)
Supply of information					
Origin establishment size (ln)		0.018*** (0.007)	0.032*** (0.012)	0.018** (0.008)	0.017** (0.008)
Origin avg worker ability		0.249*** (0.028)	0.257*** (0.037)	0.237*** (0.042)	
Ability of raided workers					0.128*** (0.022)
Manager controls					
Manager salary at origin	✓	✓	✓	✓	✓
Manager experience	✓	✓	✓	✓	✓
Manager ability	✓	✓	✓	✓	✓
Destination estb controls					
Destination firm wage premium	✓	✓	✓	✓	✓
Obs	3,374	3,374	1,434	1,940	1,940
R-Squared	0.681	0.688	0.639	0.713	0.720
Sample	All	All	No Raid	>1 Raid	>1 Raid

3. POACHED MANAGERS COMMAND INFORMATION RENTS.

▶ **Starting salary:**

- ▶ Poached managers have higher starting salaries than non-poached managers (about 15-20%). [▶ pdf](#)

▶ **Demand for information:**

- ▶ Higher at larger establishments/firms.

▶ **Supply of information:**

- ▶ Higher at larger establishments/firm with better workers (in general and known to the manager).

	Outcome: Manager ln(salary) at destination				
	(1)	(2)	(3)	(4)	(5)
Demand for information					
Destination establishment size (ln)	0.015** (0.007)	0.016** (0.007)	0.032*** (0.012)	0.016* (0.009)	0.026*** (0.009)
Supply of information					
Origin establishment size (ln)		0.018*** (0.007)	0.032*** (0.012)	0.018** (0.008)	0.017** (0.008)
Origin avg worker ability		0.249*** (0.028)	0.257*** (0.037)	0.237*** (0.042)	
Ability of raided workers					0.128*** (0.022)
Manager controls					
Manager salary at origin	✓	✓	✓	✓	✓
Manager experience	✓	✓	✓	✓	✓
Manager ability	✓	✓	✓	✓	✓
Destination estb controls					
Destination firm wage premium	✓	✓	✓	✓	✓
Obs	3,374	3,374	1,434	1,940	1,940
R-Squared	0.681	0.688	0.639	0.713	0.720
Sample	All	All	No Raid	>1 Raid	>1 Raid

3. POACHED MANAGERS COMMAND INFORMATION RENTS.

▶ **Starting salary:**

- ▶ Poached managers have higher starting salaries than non-poached managers (about 15-20%). [▶ pdf](#)

▶ **Demand for information:**

- ▶ Higher at larger establishments/firms.

▶ **Supply of information:**

- ▶ Higher at larger establishments/firm with better workers (in general and known to the manager).

	Outcome: Manager ln(salary) at destination				
	(1)	(2)	(3)	(4)	(5)
Demand for information					
Destination establishment size (ln)	0.015** (0.007)	0.016** (0.007)	0.032*** (0.012)	0.016* (0.009)	0.026*** (0.009)
Supply of information					
Origin establishment size (ln)		0.018*** (0.007)	0.032*** (0.012)	0.018** (0.008)	0.017** (0.008)
Origin avg worker ability		0.249*** (0.028)	0.257*** (0.037)	0.237*** (0.042)	
Ability of raided workers					0.128*** (0.022)
Manager controls					
Manager salary at origin	✓	✓	✓	✓	✓
Manager experience	✓	✓	✓	✓	✓
Manager ability	✓	✓	✓	✓	✓
Destination estb controls					
Destination firm wage premium	✓	✓	✓	✓	✓
Obs	3,374	3,374	1,434	1,940	1,940
R-Squared	0.681	0.688	0.639	0.713	0.720
Sample	All	All	No Raid	>1 Raid	>1 Raid

TESTABLE PREDICTIONS

1. **Managerial poaching** induces **raids**.

- ▶ *12pp higher likelihood of raids if the poached employee is a manager.*
- ▶ *On average about 3 extra workers raided.*
- ▶ *Higher rate of hires sustained over the next 12 months.*

2. **Managerial poaching** induces **positive talent reallocation**.

- ▶ *Reallocation of better workers to more productive firms.*

3. **Poached managers** command **information rents**.

- ▶ *Higher salaries in the destination firms that have higher demand for information.*
- ▶ *Higher salaries for those with higher expected supply of information.*

TESTABLE PREDICTIONS

1. **Managerial poaching** induces **raids**.
 - ▶ *12pp higher likelihood of raids if the poached employee is a manager.*
 - ▶ *On average about 3 extra workers raided.*
 - ▶ *Higher rate of hires sustained over the next 12 months.*
2. **Managerial poaching** induces **positive talent reallocation**.
 - ▶ *Reallocation of better workers to more productive firms.*
3. **Poached managers** command **information rents**.
 - ▶ *Higher salaries in the destination firms that have higher demand for information.*
 - ▶ *Higher salaries for those with higher expected supply of information.*

... but is it **really** information?

ALTERNATIVE EXPLANATIONS: REFERRALS

ALTERNATIVE EXPLANATIONS: REFERRALS

- ▶ Burks et al. (2015); Brown et al. (2016); Friebel et al. (2023): Workers **referred by workers** are
 - ▶ **more likely** to be **hired** (at **lower cost**),
 - ▶ earn **higher starting wages**,
 - ▶ **stay longer** with the firm
 - ▶ but are generally **not more productive**.
-

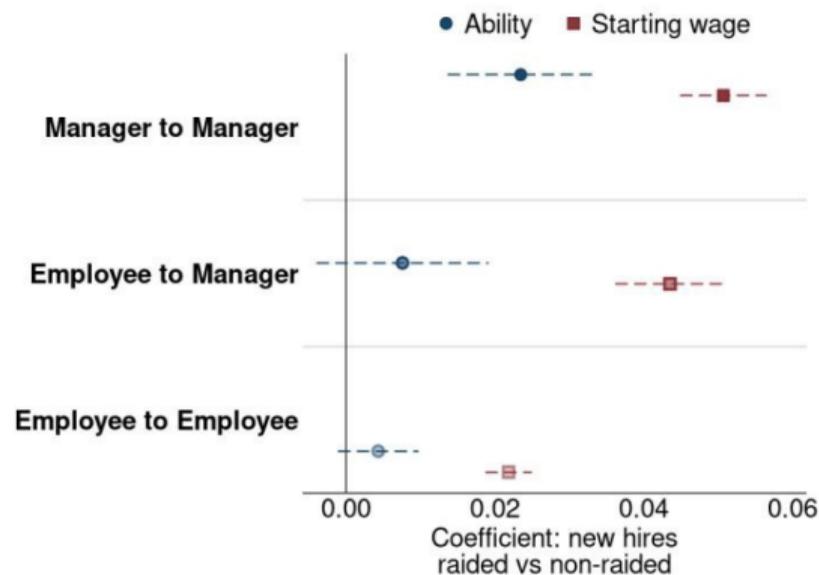
ALTERNATIVE EXPLANATIONS: REFERRALS

- ▶ Burks et al. (2015); Brown et al. (2016); Friebl et al. (2023): Workers **referred by workers** are
 - ▶ **more likely** to be **hired** (at **lower cost**),
 - ▶ earn **higher starting wages**,
 - ▶ **stay longer** with the firm
 - ▶ but are generally **not more productive**.
-
- ▶ We find a much **lower** rate of **raids** with **employee** referrals.

	(1)	(2)	(3)
Outcome variable:	>1 raided worker	# of raided workers	% raided new hires
<i>Ref. cat: manager-manager event</i>			
Employee-Employee event	-0.120*** (0.008)	-4.609*** (0.348)	-0.017*** (0.001)
Controls			
Dest. firm size	✓	✓	✓
Mean dep. var.	0.342	1.985	0.016
Obs	89294	89294	89294
R-Squared	0.007	0.012	0.012

ALTERNATIVE EXPLANATIONS: REFERRALS

- ▶ Burks et al. (2015); Brown et al. (2016); Friebel et al. (2023): Workers **referred by workers** are
 - ▶ **more likely** to be **hired** (at **lower cost**),
 - ▶ earn **higher starting wages**,
 - ▶ **stay longer** with the firm
 - ▶ but are generally **not more productive**.
-
- ▶ We find a much **lower** rate of **raids** with **employee** referrals.
 - ▶ **Workers referred by employees** are generally **not** of **higher ability** than other recruits.



ALTERNATIVE EXPLANATIONS: FAVORITISM

ALTERNATIVE EXPLANATIONS: FAVORITISM

- ▶ Subjective **non-performance related preferences** of managers affect hiring decisions leading to **negative consequences**:
 - ▶ “... **arbitrary rewards** and **less productive** job assignments ...” (Prendergast and Topel, 1996)
 - ▶ “**surplus diversion** away from society ... and toward the group” (Bramoulle and Goyal, 2016).
 - ▶ Workers hired as a result of favoritism in the public sector are **less productive** (Patacchini and Mocanu, 2025).
-

ALTERNATIVE EXPLANATIONS: FAVORITISM

- ▶ Subjective **non-performance related preferences** of managers affect hiring decisions leading to **negative consequences**:

- ▶ “... **arbitrary rewards** and **less productive** job assignments ...” (Prendergast and Topel, 1996)
- ▶ “**surplus diversion** away from society ... and toward the group” (Bramoulle and Goyal, 2016).
- ▶ Workers hired as a result of favoritism in the public sector are **less productive** (Patacchini and Mocanu, 2025).

-
- ▶ We find **lower rates** of **raiding** in **employee to manager** moves,

	(1)	(2)	(3)
Outcome variable:	>1 raided worker	# of raided workers	% raided new hires
<i>Ref. cat: manager-manager event</i>			
Employee-Manager event	-0.088*** (0.011)	-3.089*** (0.407)	-0.013*** (0.001)
Controls			
Dest. firm size	✓	✓	✓
Mean dep. var.	0.342	1.985	0.016
Obs	89294	89294	89294
R-Squared	0.007	0.012	0.012

ALTERNATIVE EXPLANATIONS: FAVORITISM

- ▶ Subjective **non-performance related preferences** of managers affect hiring decisions leading to **negative consequences**:

- ▶ “... **arbitrary rewards** and **less productive** job assignments ...” (Prendergast and Topel, 1996)
- ▶ “**surplus diversion** away from society ... and toward the group” (Bramoulle and Goyal, 2016).
- ▶ Workers hired as a result of favoritism in the public sector are **less productive** (Patacchini and Mocanu, 2025).

- ▶ We find **lower rates** of **raiding** in **employee to manager** moves,
- ▶ and **raided workers** are of **higher ability** but earn **higher wages**.

	Ability		Starting wage	
	(1)	(2)	(3)	(4)
<i>Ref. cat: non-raided new hires</i>				
Raided new hire	0.018** (0.007)		0.066*** (0.006)	
Controls				
Dest firm FE	✓	✓	✓	✓
Worker Experience	✓	✓	✓	✓
Mean dep. var.	-0.217	-0.220	7.370	7.307
Obs	26308	17482	44858	29858
R-Squared	0.338	0.361	0.572	0.588

ALTERNATIVE EXPLANATIONS: FAVORITISM

- ▶ Subjective **non-performance related preferences** of managers affect hiring decisions leading to **negative consequences**:

- ▶ “... **arbitrary rewards** and **less productive** job assignments ...” (Prendergast and Topel, 1996)
- ▶ “**surplus diversion** away from society ... and toward the group” (Bramoulle and Goyal, 2016).
- ▶ Workers hired as a result of favoritism in the public sector are **less productive** (Patacchini and Mocanu, 2025).

- ▶ We find **lower rates** of **raiding** in **employee to manager** moves,
- ▶ and **raided workers** are of **higher ability** but earn **higher wages**.

	Ability		Starting wage	
	(1)	(2)	(3)	(4)
<i>Ref. cat: non-raided new hires</i>				
Raided new hire	0.018** (0.007)	-0.017** (0.009)	0.066*** (0.006)	0.036*** (0.008)
Controls				
Dest firm FE	✓	✓	✓	✓
Worker Experience	✓	✓	✓	✓
Mean dep. var.	-0.217	-0.220	7.370	7.307
Obs	26308	17482	44858	29858
R-Squared	0.338	0.361	0.572	0.588

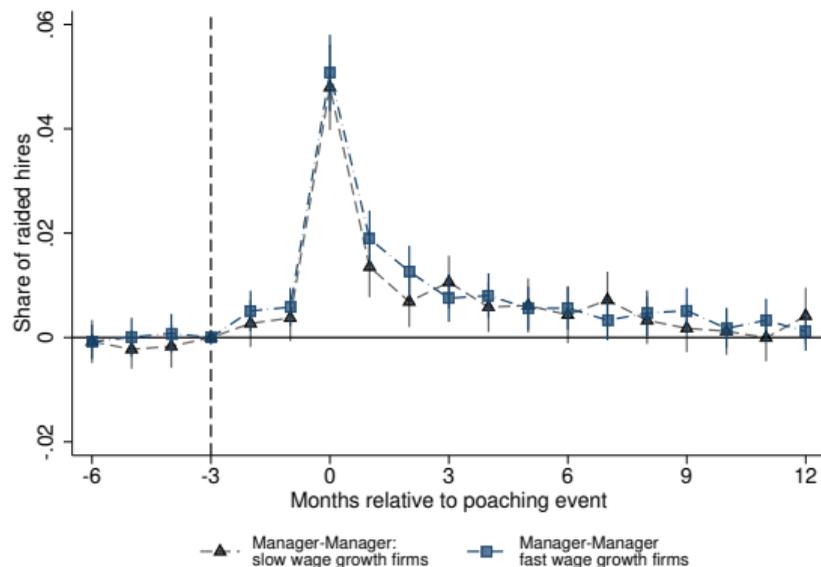
ALTERNATIVE EXPLANATIONS: COMMON SHOCKS

ALTERNATIVE EXPLANATIONS: COMMON SHOCKS

- ▶ Does something else make **destination firms attractive**,
 - ▶ or **origin firms unattractive**, respectively?
-

ALTERNATIVE EXPLANATIONS: COMMON SHOCKS

- ▶ Does something else make **destination firms attractive**,
 - ▶ or **origin firms unattractive**, respectively?
-
- ▶ **Raiding** patterns among **low** and **high wage growth** firms are practically **identical**.



ALTERNATIVE EXPLANATIONS: COMMON SHOCKS

- ▶ Does something else make **destination firms attractive**,
 - ▶ or **origin firms unattractive**, respectively?
-
- ▶ **Raiding** patterns among **low** and **high wage growth** firms are practically **identical**.
 - ▶ **Differences** in raids are statistically **insignificant**.

	(1)	(2)	(3)
	>1 raided worker	# of raided worker	% raided new hires
<i>Ref. cat: slow wage growth firms</i>			
High wage growth firms = 1	0.016 (0.016)	0.539 (0.710)	-0.002 (0.003)
Firm controls			
Dest. firm size	✓	✓	✓
Mean dep. var.	0.464	6.456	0.030
Obs	3760	3760	3760
R-Squared	0.001	0.002	0.022

DISCUSSION

DISCUSSION: CONTRIBUTION

- ▶ **Managers** are important for productivity in a myriad of ways for their own firms,

DISCUSSION: CONTRIBUTION

- ▶ **Managers** are important for productivity in a myriad of ways for their own firms, BUT they also matter when they **switch firms** – in particular because of their **personnel-specific information**.

DISCUSSION: CONTRIBUTION

- ▶ **Managers** are important for productivity in a myriad of ways for their own firms, BUT they also matter when they **switch firms** – in particular because of their **personnel-specific information**.
- ▶ We build stylized but tractable **model** of **managerial poaching** with **asymmetric employer learning**.

DISCUSSION: CONTRIBUTION

- ▶ **Managers** are important for productivity in a myriad of ways for their own firms, BUT they also matter when they **switch firms** – in particular because of their **personnel-specific information**.
- ▶ We build stylized but tractable **model** of **managerial poaching** with **asymmetric employer learning**.
- ▶ Our model generates **three** key **testable predictions**:

DISCUSSION: CONTRIBUTION

- ▶ **Managers** are important for productivity in a myriad of ways for their own firms, BUT they also matter when they **switch firms** – in particular because of their **personnel-specific information**.
- ▶ We build stylized but tractable **model** of **managerial poaching** with **asymmetric employer learning**.
- ▶ Our model generates **three** key **testable predictions**:
 1. **Managerial poaching** induces **raids**.
 2. **Managerial poaching** induces **positive talent reallocation**.
 3. **Poached managers** command **information rents**.

DISCUSSION: CONTRIBUTION

- ▶ **Managers** are important for productivity in a myriad of ways for their own firms, BUT they also matter when they **switch firms** – in particular because of their **personnel-specific information**.
- ▶ We build stylized but tractable **model** of **managerial poaching** with **asymmetric employer learning**.
- ▶ Our model generates **three** key **testable predictions**:
 1. **Managerial poaching** induces **raids**.
 2. **Managerial poaching** induces **positive talent reallocation**.
 3. **Poached managers** command **information rents**.
- ▶ We find **support** for these predictions in Brazil's formal labor market: **Data** suggests managerial poaching is a key component of **efficient talent reallocation** in the economy.

DISCUSSION: IMPLICATIONS

- ▶ Our results have important **implications** for business **dynamism** and labor market **regulation**.

DISCUSSION: IMPLICATIONS

- ▶ Our results have important **implications** for business **dynamism** and labor market **regulation**.
- ▶ Studies investigating the benefits and costs of **non-poaching agreements** and **exclusive contracts** (Shi, 2023; Cowgill et al., 2024) systematically **underestimate costs**.

DISCUSSION: IMPLICATIONS

- ▶ Our results have important **implications** for business **dynamism** and labor market **regulation**.
- ▶ Studies investigating the benefits and costs of **non-poaching agreements** and **exclusive contracts** (Shi, 2023; Cowgill et al., 2024) systematically **underestimate costs**.
- ▶ **Poaching firms**:
 - ▶ **Recruiting managers** is an important vehicle for **recruiting high-ability workers**,
 - ▶ but **information rent increases** the **cost** of managerial poaching.

DISCUSSION: IMPLICATIONS

- ▶ Our results have important **implications** for business **dynamism** and labor market **regulation**.
- ▶ Studies investigating the benefits and costs of **non-poaching agreements** and **exclusive contracts** (Shi, 2023; Cowgill et al., 2024) systematically **underestimate costs**.
- ▶ **Poaching firms:**
 - ▶ **Recruiting managers** is an important vehicle for **recruiting high-ability workers**,
 - ▶ but **information rent increases** the **cost** of managerial poaching.
- ▶ **Poached firms:**
 - ▶ **Losing managers** may **precede** the **loss** of **high-ability workers**,
 - ▶ potentially warranting **substantial counter-offers**.

APPENDIX

POACHING WORKERS IS COMMON



Steve Jobs told Google to stop poaching workers

exame. Entrar

Quem ganha quando uma empresa "rouba" funcionários da outra?

Pesquisas recentes sugerem que a busca de funcionários pela concorrência pode beneficiar tanto o profissional quanto a empresa que o perde

BBC Home News Sport Business Innov

NEWS

Google and Apple in \$415m 'non-poaching' settlement offer

16 January 2015

Four of the world's biggest tech giants - Apple, Google, Intel and Adobe - have agreed to a new settlement of \$415m (£273.5m) in an attempt to resolve a lawsuit.

The US lawsuit alleged the firms agreed not to poach staff from each other.

It claimed the alleged agreement prevented workers from getting better job offers elsewhere.

▶ back

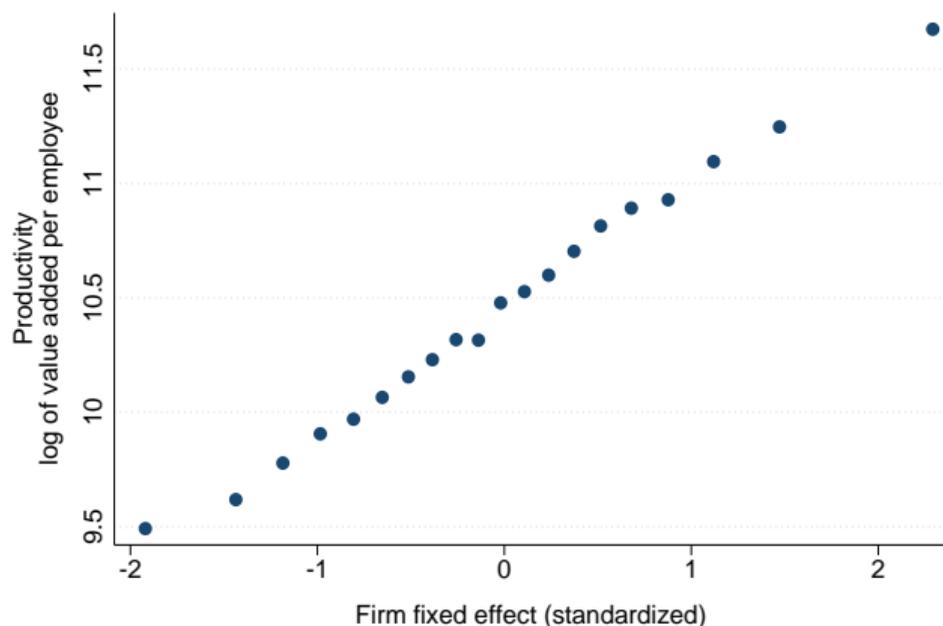
WORKER ABILITY & FIRM PRODUCTIVITY

- ▶ We approximate **worker ‘ability’** and **firm ‘productivity’** with the worker- and firm-specific **AKM fixed-effects** (Abowd et al., 1999):

$$\ln(w_{i,t}) = \alpha + \beta \mathbf{x}_{i,t} + \eta_{Y(i,t)} + \theta_i + \varepsilon_{i,t}, \text{ where}$$

- ▶ $\mathbf{x}_{i,t}$ refers to controls (age, gender, race, year)
 - ▶ $Y(i, t)$ is worker i 's establishment in year t
 - ▶ $\eta_{Y(i,t)}$ is the establishment's fixed effect ('wage premium'), and
 - ▶ θ_i is portable worker 'skill' or 'ability'
- ▶ We estimate the firm and worker fixed effects using data from 2003-2009.

AKM WAGE PREMIUM CORRELATED WITH FIRM PRODUCTIVITY



Source: Cornwell et al (2021)

SUMMARY STATISTICS - MANAGER-MANAGER EVENTS

	10th pct		Median		90th pct		Mean		
	Origin	Destination	Origin	Destination	Origin	Destination	Origin	Destination	Diff
Firm variables									
Firm size (# workers)	96	60	416	360	3514	4201	1791	2278	487***
Establishment size (# workers)	75	80	228	248	755	806	335	371	35***
# establishments	1	1	2	2	19	23	13	14	1
Productivity proxy (firm AKM FE)	-0.18	-0.17	0.13	0.14	0.46	0.48	0.14	0.15	0.01**
Avg. worker ability (worker AKM FE)	-0.33	-0.32	-0.04	-0.03	0.65	0.70	0.06	0.08	0.02**
Raided workers wage (2008 BRL)	1126.56	1203.24	2250.47	2380.94	8191.72	9085.98	3760.11	4057.37	297.27**
Manager variables									
Salary	1914.23	2140.67	5437.23	5566.42	14338.77	13012.51	7381.18	6947.87	-433.31***
Age	27.00		35.00		50.00		37.10		
Experience	7.00		16.00		33.00		18.33		
Tenure (months)	14.00		32.30		94.70		45.66		
Ability	-0.30		0.40		1.31		0.46		
Industry									
Manufacturing							0.32	0.33	0.01
Services							0.24	0.22	-0.02**
Retail							0.14	0.14	0.00
Other							0.29	0.30	0.01
Poaching events	3983								

SUMMARY STATISTICS - EMPLOYEE-MANAGER EVENTS

	10th pct		Median		90th pct		Mean		
	Origin	Destination	Origin	Destination	Origin	Destination	Origin	Destination	Diff
Firm variables									
Productivity proxy (firm AKM FE)	-0.17	-0.16	0.09	0.10	0.39	0.41	0.10	0.11	0.01**
Avg. worker ability (worker AKM FE)	-0.32	-0.32	-0.04	-0.04	0.49	0.48	0.03	0.03	-0.00
Firm size (# workers)	95	71	396	383	3731	4883	2076	2745	669***
# establishments	1	1	2	2	22	29	15	19	4**
Establishment size (# workers)	71	80	215	233	704	767	313	352	39***
Raided workers wage (2008 BRL)	1048.45	1136.03	2121.88	2269.53	6842.16	7366.41	3364.57	3612.10	247.53**
Poached employee variables									
Salary	1315.97	1691.75	3232.29	3906.09	8103.27	9354.00	4255.10	4937.61	682.52***
Age	24.00		32.00		46.00		33.62		
Experience	4.00		13.00		28.00		14.68		
Tenure (months)	13.40		27.90		77.30		38.66		
Ability	-0.41		0.12		0.97		0.21		
Industry									
Manufacturing							0.33	0.33	-0.00
Services							0.28	0.25	-0.03***
Retail							0.16	0.17	0.01
Other							0.24	0.26	0.02**
Poaching events	5299								

SUMMARY STATISTICS - EMPLOYEE-EMPLOYEE EVENTS

	10th pct		Median		90th pct		Mean		
	Origin	Destination	Origin	Destination	Origin	Destination	Origin	Destination	Diff
Firm variables									
Productivity proxy (firm AKM FE)	-0.21	-0.18	0.04	0.09	0.35	0.40	0.06	0.10	0.04***
Avg. worker ability (worker AKM FE)	-0.36	-0.32	-0.09	-0.04	0.44	0.50	-0.01	0.03	0.05***
Firm size (# workers)	79	68	289	322	3339	4665	1918	2618	700***
# establishments	1	1	2	2	23	29	19	22	3***
Establishment size (# workers)	67	67	189	167	668	580	288	263	-25***
Raided workers wage (2008 BRL)	970.62	1077.94	1677.16	1833.20	5373.67	5772.20	2796.85	3016.67	219.81***
Poached employee variables									
Salary	971.12	1120.96	1819.93	2046.82	8043.33	8022.27	3700.68	3843.78	143.10***
Age	21.00		30.00		44.00		31.37		
Experience	3.00		11.00		28.00		13.39		
Tenure (months)	12.80		24.90		67.60		34.37		
Ability	-0.53		-0.11		0.93		0.06		
Industry									
Manufacturing							0.28	0.32	0.04***
Services							0.29	0.24	-0.05***
Retail							0.20	0.19	-0.01***
Other							0.24	0.26	0.02***
Poaching events	80844								

EMPIRICAL FRAMEWORK: RAIDS

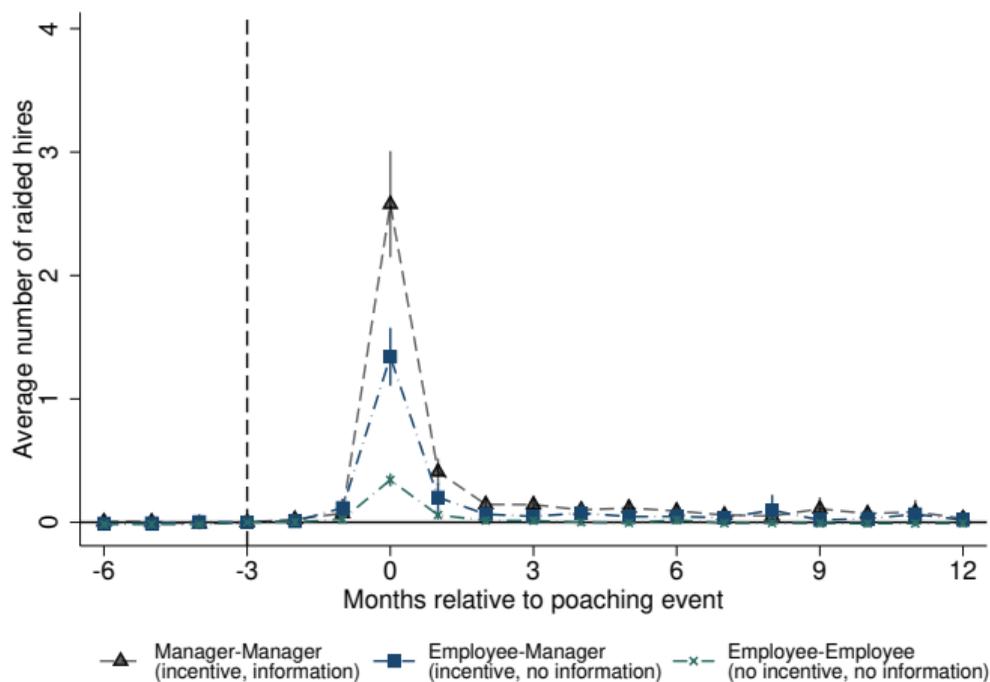
$$RaidedHires_{et} = \alpha + \sum_{k=-6}^{k=12} \delta_t \cdot \mathbb{1}[t = \kappa] + \gamma_e + \varepsilon_{et}$$

Where:

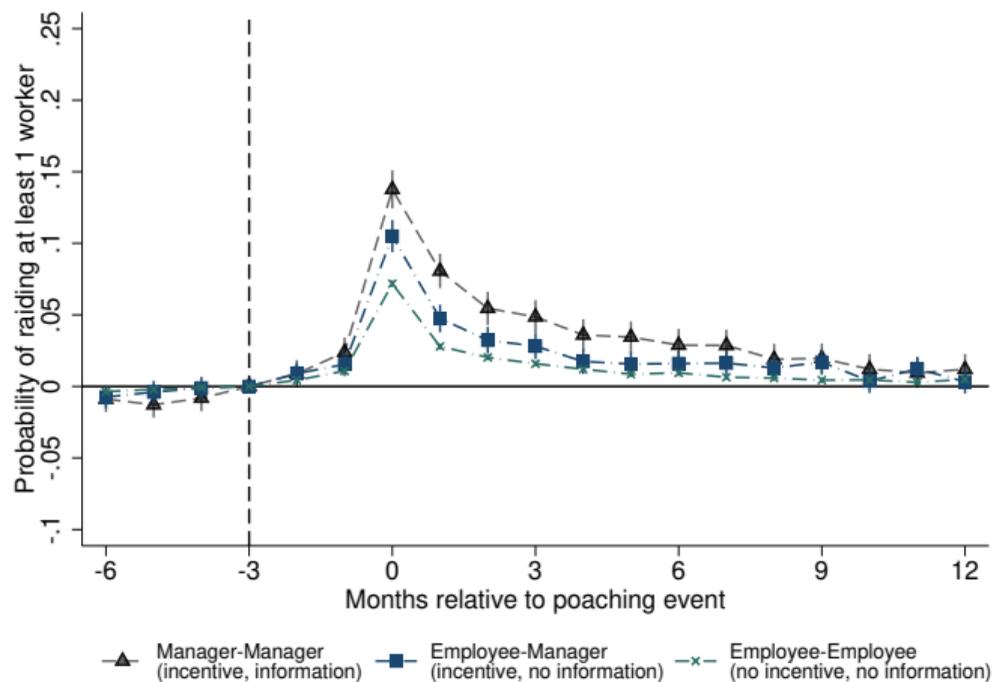
- ▶ $RaidedHires_{et}$ is the share or the number of raided workers for poaching event e in relative period t with γ_e event fixed effects;
- ▶ δ_t coefficients measure the difference in raided workers in the set of new hires in the destination firm κ months before and after and the baseline period $t = -3$.

[▶ back to framework](#)[▶ back to raids](#)

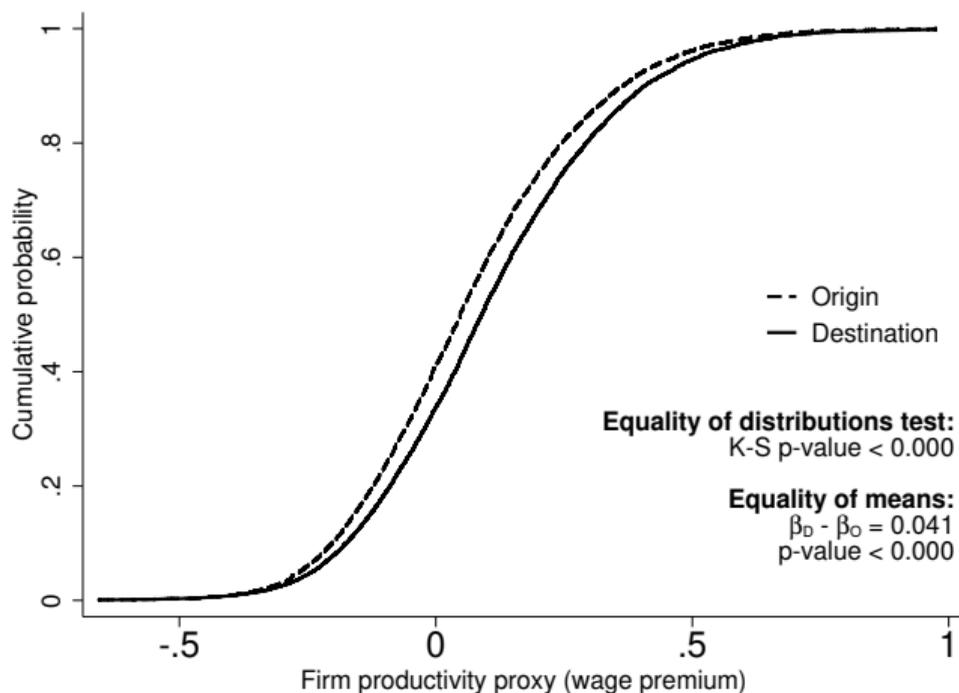
1. MANAGER POACHING INDUCES RAIDS



1. MANAGER POACHING INDUCES RAIDS



DISTRIBUTION OF FIRM PRODUCTIVITY

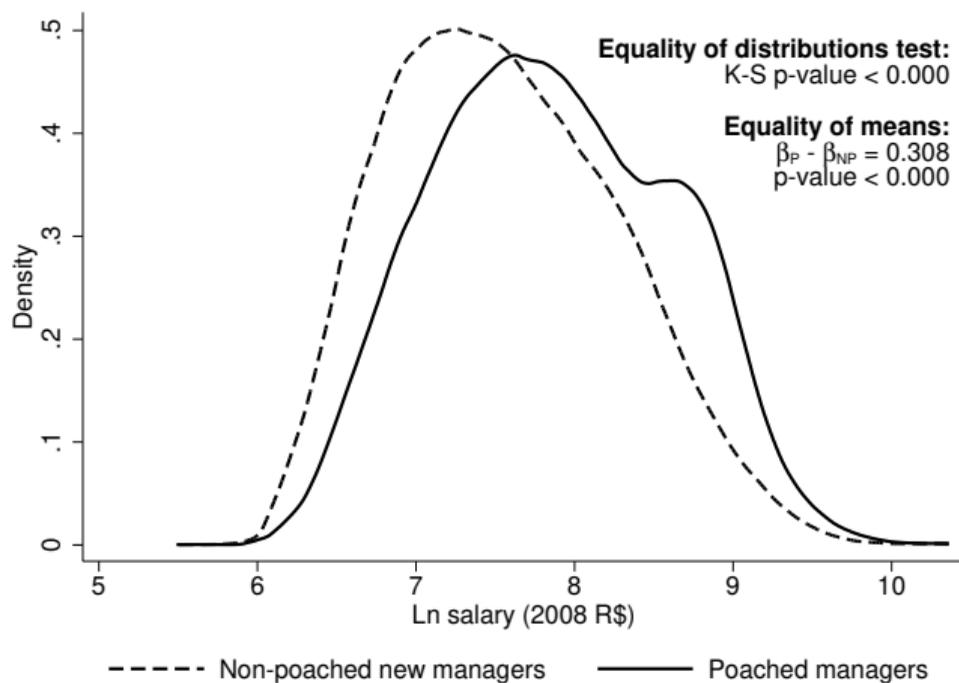


TALENT REALLOCATION REGRESSIONS

$$Outcome_{ide} = \alpha + \beta_1 Raided_{de} + \gamma_1 W_i + \gamma_d + \varepsilon_{ide}$$

- ▶ where $Outcome_{ide}$ is either the measure of **worker ability** (worker AKM fixed effect) or **log of starting wages** for worker i at destination firm d for poaching event e .
- ▶ $Raided_{de}$ is an indicator for whether the new hire was a raided worker.
- ▶ W_i is a control for worker experience
- ▶ γ_d is a destination firm fixed effect.
- ▶ β_1 is the coefficient of interest.

POACHED MANAGER SALARIES



REFERENCES I

- J. M. Abowd, F. Kramarz, and D. N. Margolis. High Wage Workers and High Wage Firms. *Econometrica*, 67(2):251–333, 1999.
- U. Akcigit and S. T. Ates. Ten facts on declining business dynamism and lessons from endogenous growth theory. *American Economic Journal: Macroeconomics*, 13(1):257–98, January 2021. doi: 10.1257/mac.20180449. URL <https://www.aeaweb.org/articles?id=10.1257/mac.20180449>.
- L. Beaman and J. Magruder. Who Gets the Job Referral? Evidence from a Social Networks Experiment. *American Economic Review*, 102(7):3574–3593, 2012.
- S. Bentolila, C. Michelacci, and J. Suarez. Social Contacts and Occupational Choice. *Economica*, 77(305):20–45, 2010.
- Y. Bramoulle and S. Goyal. Favoritism. *Journal of Development Economics*, 122:16–27, 2016.
- M. Brown, E. Setren, and G. Topa. Do Informal Referrals Lead to Better Matches? Evidence from a Firm’s Employee Referral System. *Journal of Labor Economics*, 34(1):161–209, 2016.

REFERENCES II

- S. Burks, B. Cowgill, M. Hoffman, and M. Housman. The Value of Hiring through Employee Referrals. *Quarterly Journal of Economics*, 130(2):805–839, 2015.
- E. J. Castilla and D. A. Harrison. Uncovering the Nuances of Referral Hiring: How Referrer Characteristics Affect Referral Hires' Performance and Likelihood of Voluntary Turnover. *Organization Science*, 24(6):1580–1605, 2013.
- B. Cowgill, B. Freiberg, and E. Starr. Clause and Effect: Theory and Field Experimental Evidence on Noncompete Clauses. *SSRN Working Paper*, page 5012370, 2024.
- R. A. Decker, J. Haltiwanger, R. S. Jarmin, and M. Javier. Declining Dynamism, Allocative Efficiency, and the Productivity Slowdown. *American Economic Review*, 107(5):322–326, 2017.
- L. Foster, J. Haltiwanger, and C. Syverson. Reallocation, Firm Turnover, and Efficiency: Selection on Productivity or Profitability? *American Economic Review*, 98(1):394–425, 2008.

REFERENCES III

- G. Friebel, M. Heinz, M. Hoffman, , and N. Zubanov. What Do Employee Referral Programs Do? Measuring the Direct and Overall Effects of a Management Practice. *American Economic Review*, 131(3):633–686, 2023.
- B. Friedrich and M. Zator. Price Discovery in Labor Markets: Why Do Firms Say They Cannot Find Workers? *Northwestern University*, page Unpublished manuscript, 2025.
- C.-T. Hsieh and P. J. Klenow. Misallocation and Manufacturing TFP in China and India. *Quarterly Journal of Economics*, 124(4):1403–1448, 2009.
- M. A. Huselid. The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, 38(3):635–672, 1995.
- F. Kramarz and O. N. Skans. When Strong Ties are Strong: Networks and Youth Labour Market Entry. *The Review of Economic Studies*, 81(3):1164–1200, 2014.
- D. M. Kreps and R. Wilson. Sequential Equilibria. *Econometrica*, 50(4):863–894, 1982.
- E. P. Lazear. Raids and Offer-Matching. In R. Ehrenberg, editor, *Research in Labor Economics*, volume 8, pages 141–165. JAI Press, Greenwich, CT, 1986.

REFERENCES IV

- P. Milgrom and R. J. Weber. A Theory of Auctions and Competitive Bidding. *Econometrica*, 50(5):1089–1122, 1982.
- E. Patacchini and T. Mocanu. Personal Connections and Hiring Decisions in the Public Sector. *Cornell University*, page Unpublished manuscript, 2025.
- J. R. Pieper, J. M. Greenwald, and S. D. Schlachter. Motivating Employee Referrals: The Interactive Effects of the Referral Bonus, Perceived Risk in Referring, and Affective Commitment. *Human Resource Management*, 57(5):1159–1174, 2018.
- C. Prendergast and R. H. Topel. Favoritism in Organization. *Journal of Political Economy*, 104(5):958–978, 1996.
- L. Shi. Optimal Regulation of Non-Compete Contracts. *Econometrica*, 91(2):425–463, 2023.
- C. Syverson. Market Structure and Productivity: A Concrete Example. *Journal of Political Economy*, 112(6):1181–1222, 2004.
- T. Wang and C. D. Zatzick. Human Capital Acquisition and Organizational Innovation: A Temporal Perspective. *Academy of Management Journal*, 62(1):99–116, 2019.