Information Frictions and Employee Sorting Between Startups

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Would workers apply to better firms if they were more informed about firm quality? Collaborating with 26 science-based startups, we create a custom job board and invite business school alumni to apply. The job board randomizes across applicants to show coarse expert ratings of all startups' science and/or business model quality. Making this information visible strongly reallocates applications toward better firms. This reallocation holds even when restricting to high-quality workers. The treatments operate in part by shifting worker beliefs about firms' right-tail outcomes. Despite these benefits, workers make post-treatment bets indicating highly overoptimistic beliefs about startup success, suggesting a problem of broader informational deficits.

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