

The Causal Impact of Social Connections on Firms' Outcomes*

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Abstract

We study how firm-level hiring and performance change when socially connected workers are displaced. Such displacements create supply shocks directed specifically towards connected firms. We show that firms are able to hire a larger fraction of connected workers when these are displaced. Unconnected hires and separations are virtually unaffected by connected displacements. Instead, firms create new jobs. Furthermore, the increased ability to hire connected workers allows firms to grow with (at least) retained labor productivity. Overall, our results suggest that firms respond to displacements of connected workers by creating jobs in order to take advantage of unique hiring opportunities. [100 words exactly]

Keywords: Networks; job search; job displacement; job creation

JEL classification: J60; J30; J23

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