Towards a Strategic Research Agenda on Startup Labor Markets*

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Abstract

The entrepreneurship literature has traditionally emphasized the human capital of founders and founding teams. Yet as startups move from founding to scaling, their performance increasingly depends on how they engage with labor markets beyond the founding and top management teams. We argue that startup labor markets constitute a distinct and underexplored strategic domain in entrepreneurship research, one that governs how ventures attract, structure, develop, and retain talent under conditions of uncertainty. We organize this agenda around three structural features that distinguish startups from more established firms and generate distinctive labor market frictions: (1) uncertainty about product–market fit, which creates ambiguous roles and learning environments; (2) resource and reputational scarcity, which complicates pricing and signaling to prospective employees; and (3) high failure risk, which elevates career risk and shapes mobility expectations. For each feature, we examine implications for both startups (the demand side) and workers (the supply side), highlighting the strategic tradeoffs embedded in hiring, compensation, job design, and mobility. We identify priority directions for future research across entry and sorting, work and incentives, development and learning, and mobility and market shaping, and we discuss data sources that enable empirical progress. Overall, we aim to reorient strategic entrepreneurship research from a primary focus on entrepreneurial founding toward a labor-mediated view of enterprise scaling, in which talent and labor market strategy are central to competitive advantage.

Keywords*: Startup Labor Markets, Human Capital, Venture Scaling.*

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1 Introduction

The entrepreneurship literature has traditionally centered on venture founding: who becomes an entrepreneur, how founding teams form, and how ventures secure early financial capital. Yet this emphasis implicitly treats human capital as either fixed at founding or frictionless thereafter. Those assumptions break down after founding, when scaling makes human capital constraints most binding. As ventures scale, startup "joiners" do much of the work of turning ideas into execution, and building routines, processes, and capabilities which enable venture growth. In short, startup joiners often determine whether early ideas can be translated into sustainable organizations. Accordingly, once startups grow beyond the founding team, their performance increasingly depends on attracting, motivating, developing, and retaining non-founder employees (Roach and Sauermann, 2015; Choi et al., 2025; Roach and Sauermann, 2024).[1]

Yet despite their centrality, startup labor markets remain under-theorized (DeSantola and Gulati, 2017), especially relative to entrepreneurial finance. Just as ventures raise capital in stages as uncertainty resolves, they must recruit and retain skilled labor across stages of the venture lifecycle.[2] In this review, we synthesize emerging research on startup labor markets and outline a research agenda focused on the frictions and strategic choices that arise as ventures scale.

We argue that the gap in the literature is not merely empirical but structural in nature. Much of the entrepreneurship literature implicitly assumes that once founding decisions are made, labor adjusts smoothly to organizational needs. However, this assumption is not a good one during the venture scaling phase, when ventures must assemble, coordinate, and retain human capital under acute uncertainty. Startup labor markets are therefore a central strategic domain rather than simply a context since startup talent is scarce, mobile,

[1] We focus on startup labor markets beyond the founding team. Founders and founding teams have been extensively studied elsewhere (e.g., Lazar et al. 2020).

[2] The entrepreneurial finance literature has clarified how capital contracts evolve under uncertainty (Kaplan and Strömberg, 2003); we argue for a parallel research program on how startups attract and organize talent under uncertainty.

risk-bearing, and forward-looking. Beyond firm-level performance, these labor market dynamics also shape broader economic outcomes, influencing whether entrepreneurial activity translates into employment creation and societal economic dynamism.

Together, the economic importance of startup labor markets and the lack of systematic theorizing around them create fertile ground for new theory in strategic entrepreneurship. As a result, hiring, compensation, job design, talent development and talent mobility are not simply operational decisions but core strategic choices with tradeoffs that shape venture trajectories during the scaling process. In turn, analyzing such tradeoffs (including contextual factors) is a key value proposition of strategic entrepreneurship research. Reframing entrepreneurship research to incorporate startup labor markets therefore shifts the field's focus from the act of founding to the challenge of building organizations.

To that end, we identify and discuss three typical starting point features of startups that have consequences in distinguishing the startup labor market as compared to that faced by established firms. They are: (1) early-stage startups often lack product-market fit, (2) early-startups are often resource poor, including lacking an established reputation, and (3) early-stage startups have high failure rates. These features are analytically distinct not simply because they describe different aspects of early-stage ventures, but because each gives rise to a specific labor market friction and activates a different set of strategic responses by firms and workers, as suggested by Table 1.

[Table 1 about here.]

These three areas also underpin important elements of the startup labor market, both from the startup and talent perspectives. Prior to achieving product-market fit, startups face pronounced task ambiguity: job roles, skill requirements, and performance metrics remain fluid as experimentation unfolds. This ambiguity generates learning externalities, as individual employees' actions shape organizational knowledge and future role definitions, while simultaneously complicating screening, retention, and internal development. If ventures lack resources and reputations, employee matching frictions intensify as workers must

infer firm quality in the absence of credible price or reputation signals, and so attracting talent in the first place can be challenging. Issues of compensation also become salient in resource-scarce environments, raising issues such as equity use and/or offering non-pecuniary benefits. Finally, high failure rates elevate career risk for startup employees, increasing the salience of outside options and the option value of mobility. As a result, expectations about firm survival shape not only exit behavior, but also entry decisions, compensation demands, and willingness to invest in firm-specific human capital.

By organizing future research around these labor market frictions and strategic levers, we seek to reorient entrepreneurship research from a primary focus on founding toward a labor-mediated view of scaling, in which talent and labor market strategy are central to enterprise growth and competitive advantage. Our aim is not to offer another treatment of any single adjacent domain (e.g., entrepreneurial teams or internal startup organization) in isolation, but to provide an integrative, lifecycle-based framework that links these literatures through a common set of labor market frictions and strategic levers that shape scaling.

To that end, what follows is structured around the above three distinctive features of startups that impact the startup labor market. Within each domain, we discuss several areas of potential research which feature strategic entrepreneurship decisions related to both startup employers (demand-side) and potential employees (supply-side of the labor market). Where we have suggestions, we also discuss data possibilities with the intent of lowering obstacles for researchers to pursue research in each domain.

2 Startups often lack product market fit

Early-stage startups often operate without product-market fit (PMF). PMF reflects the co-evolution of technology and market demand (Adner and Levinthal, 2001), with scaling typically occurring only once a firm's technological trajectory aligns with a viable customer segment. Prior to PMF, however, startups engage in intensive experimentation, marked by

rapid iteration, shifting product direction, and the absence of stable revenue. For workers, this environment generates pronounced task ambiguity: roles, skill requirements, and performance criteria evolve as firms search for viable markets. As a result, career dynamics in pre-PMF startups can be accelerated but unstable, contrasting sharply with the more structured organizational environments that emerge after PMF is achieved. This uncertainty propagates directly into the labor market, shaping how tasks are defined, skills are valued, and careers unfold within ventures.

The labor market implications of PMF uncertainty have received comparatively little systematic attention, despite their centrality to startup scaling. When tasks and roles shift rapidly, firms face heightened difficulty in screening for relevant skills and in designing credible development pathways, while workers must evaluate job opportunities whose content and future value are uncertain.[3] These conditions shape both who joins pre-PMF ventures and how human capital is accumulated once workers are inside the firm.

In this section, we examine two inter-related domains through which PMF uncertainty shapes startup labor markets. First, we consider how firms screen and hire talent when future skill needs are uncertain, and how prospective joiners evaluate opportunities in pre-PMF ventures. Second, we examine how startups develop human capital under conditions of role fluidity, including choices around internal promotion versus external hiring, and how these processes are interpreted by employees. Together, these domains highlight the strategic tension between exploration and commitment in early-stage labor market design.

2.1 Screening and hiring talent before and after PMF

2.1.1 Firm perspective

Firms typically hire individuals based on anticipated skill needs. For pre-PMF startups, however, this task is complicated by ongoing experimentation over product categories and

[3]Here we focus on full-time employees rather than gig workers, who may engage with startups for different reasons.

features, which generates substantial role ambiguity and fluid task boundaries.[4] As a result, pre-PMF firms face heightened risk of mis-hiring, as functional roles and performance criteria remain ill-defined.

This uncertainty creates a strategic tension between exploration and exploitation in hiring. Whereas post-PMF firms can recruit for well-defined roles that support scaling and execution, pre-PMF ventures often require employees capable of exploration. That is, employees adapting to shifting tasks, experimenting with solutions, and contributing across functions. Recruiting for exploration versus exploitation thus becomes a strategic hiring decision, with implications for incentive design and organizational learning (Ederer and Manso, 2013).[5]

Viewed differently, the uncertainty that complicates early hiring can also create strategic opportunity. From a real-options perspective, early-stage startups may increase the potential upside of entrepreneurial activity by expanding the range of possible outcomes. When early development costs are high and profitability remains distant, growth and experimentation can raise venture value by increasing outcome variance (Manso, 2016). This logic creates a central tension for pre-PMF startups: while role ambiguity and resource constraints increase the risk of mis-hiring, more aggressive early hiring can accelerate learning and amplify upside. As a result, responses to uncertainty (such as whether to delay hiring or expand quickly) reflect strategic choice rather than mechanical reactions to resource scarcity.

A central manifestation of this tension concerns whether pre-PMF startups should hire generalists or specialists. While the "jack-of-all-trades" logic has been developed primarily at the founder level (Lazear, 2005), it plausibly extends to early employees operating under

[4] Nanda and Rhodes-Kropf (2017) discuss how business model uncertainty shapes financing patterns, while Argote and Miron-Spektor (2011) and Levinthal (1997) emphasize how ambiguity constrains organizational learning. These perspectives, however, have not fully explored downstream implications for human capital markets.

[5] A useful distinction is between exploration at the firm level, where uncertainty reflects potential changes in strategy, product–market focus, or organizational direction, and exploration at the individual level, which concerns employees' experimentation, learning, and task fluidity within roles. These two forms of exploration may have different implications for hiring, incentive design, and organizational learning as firm-level exploration may require adaptability in workforce composition over time, whereas individual-level exploration places greater emphasis on employee mindset, skill breadth, and tolerance for ambiguity.

task ambiguity. Generalists may be better able to contribute across evolving roles due to redeployable skills, whereas specialists offer depth but risk misalignment if the firm's direction shifts. Evidence from executive labor markets further suggests that generalist skill profiles may command wage premia (Custódio et al., 2013), raising additional cost considerations for early-stage firms.

Despite the prominence of this tradeoff, systematic evidence on pre-PMF hiring strategies remains limited. Recent work begins to address this gap by examining how the balance between specialized and generalized human capital among startup joiners shifts over the firm lifecycle, highlighting that hiring patterns evolve as organizational demands change (Hietaniemi et al., 2024; Mallory, 2026). One alternative approach is staged hiring, bringing in specialists only once greater clarity emerges, though such strategies may conflict with the need for cultural coherence and continuity. More broadly, pre-PMF hiring raises a fundamental strategic question about commitment versus flexibility: whether firms should optimize for immediate execution or preserve adaptability in anticipation of future pivots. Recent empirical evidence suggests that early-stage ventures may postpone hiring until uncertainty resolves, unless they can strategically increase the redeployability of labor, for example, by emphasizing transferable skills or preserving internal redeployment options (Hietaniemi et al., 2024). More broadly, PMF uncertainty raises the possibility that the type of human capital firms seek may optimally change over time, shifting as firms move from exploration toward execution.

Addressing this question empirically would substantially advance understanding of labor market strategy under PMF uncertainty. Early stages may privilege depth in non-substitutable skills aligned with core experimentation, whereas later stages may place greater value on breadth, coordination, and integrative capabilities as organizations scale.

2.1.2 Talent perspective

Thus far, we have focused on firms' hiring challenges under PMF uncertainty. From the talent perspective, joining a pre-PMF startup is a career investment decision under uncertainty, shaped by expectations about learning, risk, and future mobility. Prior work suggests that early-stage ventures disproportionately attract individuals whose preferences and skill profiles align with broad, shifting, and exploratory work environments.

Selection into pre-PMF startups is shaped not only by risk tolerance, but also by financial feasibility. Individuals with greater wealth may be better able to accept uncertain or lower cash pay, while others face binding cash-flow constraints that preclude startup employment altogether (Evans and Jovanovic, 1989). As a result, the pool of workers available to early-stage startups is narrower than implied by preferences alone. These feasibility constraints are reflected in observable patterns of who actually joins early-stage ventures.

Empirical evidence shows that startup workers tend to be younger on average (Ouimet and Zarutskie, 2014). Younger workers are typically less specialized and may place greater value on skill broadening, particularly early in their careers when they have longer horizons to deploy newly-acquired capabilities. Pre-PMF startups, with fluid roles and exposure to multiple functions, may therefore be especially attractive to individuals seeking accelerated learning rather than immediate specialization.

Individual circumstances further shape willingness to join pre-PMF ventures. Household employment conditions and financial constraints influence risk tolerance and the feasibility of startup employment (Manchester et al., 2023). More broadly, prospective joiners face a tradeoff between acquiring broad, experiential skills in uncertain environments and affiliating with organizations that offer stronger external reputation or clearer career ladders. This tradeoff is compounded by limited information about firm direction, making it difficult for workers to assess the future value of the skills they will acquire inside the venture. For some workers, the learning and option value of startup employment may compensate for the weaker immediate resume signal; for others, this tradeoff tilts in the opposite direction.

PMF uncertainty is therefore likely to narrow the applicant pool to individuals with high learning orientation and risk tolerance, consistent with theories of job search under uncertainty and career risk sorting (Jovanovic, 1979; Rosen, 1986). When ventures lack PMF, workers attracted to such environments tend to value learning and autonomy over stability (Sauermann, 2018), generating systematic selection into early-stage roles. To attract such workers, startups may need to offer greater expected upside, whether through equity or through organizational practices that signal opportunities for learning, discretion, and cultural fit (Stern, 2004; Tambe et al., 2020). Despite these patterns, direct empirical evidence linking PMF uncertainty to applicant behavior and matching outcomes remains limited.[6]

As startups progress toward product-market fit, the stabilization of tasks and revenues alters this calculus, expanding the pool of prospective joiners by reducing role ambiguity and career risk. This transition highlights how labor market sorting before and after PMF can have lasting consequences for organizational composition and scaling trajectories.

2.2 Developing human capital inside startups

From the venture perspective, a central strategic decision under PMF uncertainty concerns whether to prioritize internal human capital development or rely on the external labor market. Promoting from within strengthens incentives and commitment among insiders, while external hiring can provide non-redundant and stage-appropriate skills. External recruits may also bring knowledge of organizational practices and other forms of tacit or "soft" information that generate positive spillovers (Chen et al., 2025).[7]

The effectiveness of internal human capital development under PMF uncertainty also depends on organizational conditions that support learning. Psychological safety within

[6]The magnitude and frequency of strategic pivots may have consequences as well. For example, continuous pivots and changing goals can strain employee expectations, producing high turnover once workers seek predictability. This instability exacerbates hiring frictions and learning loss, as early departures erode organizational memory.

[7]This discussion anticipates Section 4, which examines mobility and failure. Even absent firm failure, workers face a strategic choice between remaining with a focal firm in pursuit of internal advancement and leveraging the external labor market for career progression, which prior work suggests is often central to individual advancement.

teams has been shown to facilitate experimentation and knowledge sharing (Edmondson, 1999), which are particularly valuable when tasks and goals remain fluid. From a strategic perspective, the presence or absence of such conditions shapes whether firms can successfully rely on internal development rather than external hiring in exploratory phases.

From the talent perspective, human capital development opportunities influence both retention and career expectations as firms progress toward PMF. Startup employees often face fluid roles and ambiguous promotion pathways, in contrast to the structured career ladders typical of established firms. Observed patterns of internal advancement therefore serve as signals about future opportunities, shaping workers' willingness to invest in firm-specific skills versus maintaining external mobility.

An interesting domain to investigate is the degree to which talent (through job crafting) or organizational managers have control over skill upgrading. This is related to the extent to which on-the-job learning compares to structured human resource development practices in the pre- and post-PMF eras. A related area is skill redeployment, both within and across industries. Such considerations impact geographic mobility (and in aggregate, shapes geographic agglomeration and industry clustering). They also have implications for startup location. For example, should firms locate in areas in which workers have specific skills which can be directly applied or applied with modest retraining costs?

An important open research domain concerns who controls skill accumulation and redeployment under PMF uncertainty. In startups, learning often occurs through on-the-job experimentation rather than formal training systems, raising questions about the relative roles of managerial design and worker agency in shaping human capital. The portability of acquired skills (within firms, across industries, or across regions) further influences mobility and geographic sorting, with implications for both ecosystem dynamics and firm location decisions.

2.3 Implications for strategic entrepreneurship

The preceding discussion illustrates how uncertainty about PMF fundamentally shapes labor market behavior on both the firm and worker sides. Yet compared to the work on entrepreneurial finance and scaling, systematic theorizing about how PMF uncertainty structures startup labor markets remains limited. Below, we highlight a small set of priority research directions that are central to advancing strategic entrepreneurship theory in this domain.

A foundational priority is conceptual clarity around the definition and measurement of PMF. While PMF is frequently referenced as a milestone, few studies empirically identify its onset. Future work could operationalize PMF using indicators such as revenue inflections, churn metrics, usage thresholds, and hiring transitions into operational roles (Lee and Kim, 2024), or investor behavior. Establishing comparable PMF measures would enable coordinated research on how labor strategies evolve as firms move from exploration toward exploitation.

A second priority concerns the talent profile appropriate under PMF uncertainty. A central open question is how firms sequence generalist and specialist hiring as uncertainty resolves. While theory suggests that generalists may be better suited for exploratory phases and specialists for execution, we lack systematic evidence on how startups navigate these tradeoffs, how team composition evolves as PMF approaches, and whether mis-hiring costs differ before versus after PMF. These dynamics parallel staged commitment problems in entrepreneurial finance, where timing and optionality are central.

A third research direction centers on matching and sorting into pre-PMF ventures. PMF uncertainty heightens asymmetric information for would-be joiners, increasing the salience of signals such as founder pedigree, investor affiliation, early customer endorsements, and organizational practices that convey learning opportunities or autonomy. Understanding how workers interpret these signals, and how sorting varies by skill, demographic group, or risk tolerance, is essential for explaining retention, development, and longer-run career

trajectories when firm viability remains uncertain.

Related questions arise around human capital development inside pre-PMF startups. Fluid roles and rapid pivots can generate accelerated learning but also uncertainty about advancement. Future research could examine how workers interpret internal promotions under PMF uncertainty (whether as credible signals of organizational learning or as responses to under-resourcing) and when internal mobility substitutes for, or complements, external hiring.

An additional frontier concerns how career trajectories unfold around PMF milestones. Pre-PMF employment may offer skill breadth and option value but weaker external credentials, whereas post-PMF entry may provide greater stability at the expense of learning. Understanding heterogeneity in employee outcomes across firms, roles, and ecosystems would clarify how PMF timing interacts with individual risk preferences and longer-run career sorting, much as financial milestones shape investor beliefs.

These research directions are increasingly tractable empirically. Job-posting data can be used to infer PMF milestones, hiring transitions, and skill mixes at scale. Matched employer–employee data enable analysis of internal mobility, turnover, and wage dynamics before and after PMF, while resume panels (such as Revelio/LinkedIn) and startup databases can link firm trajectories to worker outcomes. Surveys and experiments offer additional tools for studying how workers interpret PMF uncertainty and update expectations.

Together, these research opportunities highlight how PMF uncertainty transforms labor market decisions into staged commitment problems for both firms and workers. Just as entrepreneurial finance has illuminated how ventures manage capital under uncertainty, a parallel literature on PMF uncertainty can deepen understanding of how startups strategically manage human capital during exploratory search, learning, and early scaling.

A central unresolved question emerging from this section is how startups and workers manage commitment versus optionality under PMF uncertainty. Firms must decide when to lock in hiring and role structures and when to preserve adaptability, while workers must

assess when exploratory experience compensates for heightened career risk and limited credentialing. Because these decisions are made before firm viability is known, early labor market choices can have durable consequences for organizational capability, inequality, and mobility.

The dynamics associated with product–market fit uncertainty and failure risk highlight how early labor market choices unfold under conditions of uncertainty about firm viability. Yet these challenges are themselves rooted in more fundamental constraints that confront startups from their entry. Even before questions of commitment, mobility, and exit become salient, young ventures must first attract and screen talent in the absence of established reputations and with limited financial resources. We therefore turn next to resource and reputational scarcity as foundational conditions shaping startup labor markets (conditions that precede, and interact with, subsequent uncertainty about product–market fit and survival).

3 Startups often face resource and reputational scarcity

3.1 Core frictions under resource and reputational scarcity

A central feature distinguishing startup labor markets from those of established firms is the joint presence of reputational and resource scarcity. The literature has long recognized that newly founded ventures lack legitimacy, established routines, and track records, giving rise to a "liability of newness" (Stinchcombe, 1965; Hannan and Freeman, 1984). In labor markets, these deficits translate into inference problems: prospective employees must assess firm quality, stability, and future prospects in the absence of reliable firm-level signals. As a result, matching frictions are particularly severe (Bryan et al., 2025), even though early hiring choices are often critical for subsequent organizational outcomes (Choi et al., 2025). More broadly, these frictions suggest that startup labor markets may evolve endogenously as firms experiment with different hiring and compensation strategies, raising questions about how

early organizational choices feed back into labor market structure and subsequent sorting.

Prior work suggests that startups partially mitigate reputational scarcity through affiliation and signaling. Ties to reputable venture capitalists, alliance partners, or founders with strong prior credentials can substitute for missing firm-level reputation and shape worker beliefs about firm quality (Stuart et al., 1999; Bernstein et al., 2022). Yet we still know relatively little about how such signals are interpreted by prospective employees, how they interact with individual risk tolerance and career stage, or when they fail to transfer across audiences. These gaps point to open questions about the effectiveness, limits, and unintended consequences of reputation-building strategies in startup labor markets.

Resource scarcity introduces a second, distinct friction by constraining startups' ability to compete on wages and invest in formal human resource practices. Young ventures typically rely on owner capital and external finance, making cash constraints binding and shaping both strategic choices and hiring capacity (Robb and Robinson, 2014; Nanda and Rhodes-Kropf, 2017). In response, startups often deploy equity compensation and non-pecuniary job attributes as substitutes for cash pay (Oyer, 2004; Oyer and Schaefer, 2005). Recent evidence shows that such instruments affect employee retention and advancement (Hietaniemi and Hsu, 2025), but their broader implications for sorting, skill accumulation, and long-run careers remain underexplored.

Taken together, reputational and resource scarcity generate intertwined signaling and pricing frictions in startup labor markets. These frictions raise foundational research questions about how firms attract and screen talent when firm quality is difficult to assess, how workers evaluate uncertain employment opportunities, and how early hiring and compensation choices shape longer-run organizational trajectories. In addition, an open challenge for future research is to understand how these frictions interact dynamically over a venture's lifecycle, shaping not only who joins startups, but how early hiring choices constrain or enable subsequent organizational reconfiguration, as the frictions are mutually reinforcing (weak reputation limits access to resources, while resource scarcity constrains the ability

to invest in reputation-enhancing signals). As a result, early labor market choices under scarcity can lock firms into trajectories that are difficult to reverse even after reputation or resources improve. In the sections that follow, we build on these core frictions to highlight open research directions in hiring strategies, compensation design, and ecosystem choice.

3.2 Hiring strategies under scarcity

Resource and reputational scarcity are most directly expressed in startups' hiring strategies. In the absence of credible firm-level signals, young ventures face heightened risks of adverse selection, potentially attracting workers with weaker outside options rather than those best positioned to support scaling. Hiring under these conditions is therefore not merely an operational task, but a strategic problem of screening, sorting, and commitment under uncertainty. Early hiring decisions are especially consequential, as initial joiners often exert disproportionate influence on organizational culture, capability development, and subsequent growth trajectories.

We focus on two hiring domains that are both under managerial control and central to these challenges: referral-based hiring and compensation and job design. Each offers a way to mitigate informational frictions under scarcity, but each also introduces longer-run tradeoffs that remain incompletely understood.

3.2.1 Referrals as screening devices versus imprinting mechanisms

Referral-based hiring is a common response to reputational scarcity. By drawing on founder, investor, and early-employee networks, startups can leverage social ties as informal signals of candidate quality and fit, reducing search costs and uncertainty when formal reputation is absent (Stuart and Sorenson, 2005). Such referrals can be particularly attractive under resource constraints, as they offer a low-cost, high-trust hiring channel that substitutes for extensive market-wide search or external recruiters (Hsu, 2007).

At the same time, reliance on referrals shapes who gains access to startup employment

and how organizations evolve. Because founder and early-employee networks often reflect prior employers, educational institutions, or local communities, referral-based hiring can reproduce the demographic and cognitive composition of those networks. Early hiring decisions made under uncertainty may therefore imprint enduring skill profiles, norms, and cultural templates that persist well beyond the startup's initial stage, consistent with job-imprinting and organizational blueprint arguments (Beckman and Burton, 2008). From this perspective, referrals function not only as screening devices but also as mechanisms that embed path dependence into organizational development.

Worker-side behavior reinforces these dynamics. Information frictions affect not only firm hiring choices but also applicant sorting. Experimental evidence shows that providing credible signals of startup quality reallocates applications toward higher-quality ventures, suggesting that workers systematically misjudge firm prospects in the absence of such signals (Bryan et al., 2025). Referral ties further condition access and perceived risk by transmitting private information about working conditions, founder quality, and venture prospects. However, access to these networks is unevenly distributed, limiting entry for individuals outside core organizational or investor networks and potentially amplifying inequality in who participates in entrepreneurial growth (Fernandez and Fernandez-Mateo, 2006).

Taken together, referral-based hiring highlights a central unresolved tension in startup labor markets: when do referrals primarily improve match quality under uncertainty, and when do they instead constrain organizational adaptability by narrowing search and embedding early imprints? Addressing this question requires disentangling screening benefits from longer-run consequences for diversity, learning, and scaling. Progress on this front would benefit from research that follows both firms and workers over time, tracing how early referral intensity shapes subsequent hiring channels, team composition, and the external labor market value of startup experience.

3.2.2 Compensation and job design as substitutes for reputation

Resource scarcity constrains startups' ability to compete for talent on wages, pushing firms to rely on bundles of equity compensation and non-pecuniary job attributes. Equity grants provide a non-cash currency that can partially substitute for salary and serve as a retention device through vesting and option-like upside. At the same time, non-pecuniary features such as autonomy, flexible work arrangements, and opportunities for accelerated learning can attract workers who value discretion or skill development over immediate pay (Sauermann and Cohen, 2010; Mas and Pallais, 2017). Together, compensation and job design represent a primary mechanism through which startups attempt to overcome both pricing and signaling frictions in labor markets.

These instruments, however, introduce strategic tradeoffs that remain incompletely understood. Equity is difficult for workers to value ex ante due to illiquidity and uncertainty about exit outcomes, potentially limiting its effectiveness as a screening device. Non-pecuniary attributes can broaden applicant pools and reduce perceived risk, but may also require complementary organizational structures (e.g., decentralization or new monitoring systems) and can weaken appropriation if not carefully designed. Evidence from remote work arrangements illustrates how job design can alter applicant composition while introducing new challenges in coordinating work, monitoring effort, and sharing tacit knowledge (Hsu and Tambe, 2025).

The diffusion of AI tools adds a further layer to these tradeoffs by reshaping which tasks are automated, which skills complement automation, and how performance is measured. For startups, AI may enable leaner early staffing by automating routine components of technical and commercial work, while simultaneously increasing returns to workers who can span functions (e.g., translate customer feedback into product requirements, orchestrate tools, and iterate rapidly). These shifts have implications for strategy (which capabilities to build versus rent through tools), structure (whether to hire fewer specialists and more integrators), and processes (how experimentation, monitoring, and coordination are organized when output

is partially tool-mediated). At the same time, AI can intensify screening and signaling challenges: resumes may become less informative about true productivity, and firms may need new assessment processes to identify tool-complementary skill and judgment.

From a sorting perspective, compensation and job design shape who is willing to join startups and when. Equity-heavy packages may attract risk-tolerant or high-ability individuals willing to trade current pay for uncertain upside. Selection into startups, however, is shaped not only by preferences but also by financial feasibility: individuals with greater wealth or alternative income sources may be better able to accept lower or uncertain cash pay, while others face binding cash-flow constraints that preclude startup employment altogether (Evans and Jovanovic, 1989; Manchester et al., 2023). As a result, the pool of workers available to early-stage startups is narrower than implied by preferences alone. Non-pecuniary features, such as autonomy or learning opportunities, further condition this sorting by appealing to workers at particular career stages.

A central unresolved question is whether equity and non-pecuniary job attributes function primarily as substitutes or complements in mitigating labor market frictions under scarcity. Do flexible work arrangements and learning opportunities compensate for weaker financial incentives, or do they amplify the sorting effects of equity? How does the optimal mix of these instruments evolve as uncertainty resolves and ventures transition from exploration toward scaling? An additional open question concerns dynamics: whether early compensation and job-design choices create commitment traps or learning advantages that persist even after firms gain reputation or financial slack. Addressing these questions would deepen understanding of how startups strategically configure compensation and job design to balance attraction, screening, and long-run capability development.

3.3 Location and ecosystem choice

Location choices shape how startups experience labor market frictions under resource and reputational scarcity. Dense entrepreneurial ecosystems offer thicker labor markets, faster

information flows, and richer opportunities for learning and mobility (Sorenson and Audia, 2000; Dahl and Sorenson, 2012; Fallick et al., 2006). For prospective employees, these features reduce the perceived risk of joining a young firm by improving reemployment prospects following exit or failure. For startups, however, these same environments intensify competition for talent, raising hiring costs and increasing exposure to poaching.

Recent evidence highlights a deeper asymmetry underlying these tradeoffs. While startups can rapidly post jobs tied to emerging technologies across regions, the geographic diffusion of relevant talent lags substantially. As a result, labor market tightness evolves unevenly across ecosystems over time. Pioneering technological regions initially face acute congestion as many startups compete for scarce experienced workers, but over time these regions accumulate durable advantages as localized learning expands the pool of workers with frontier skills (Hamilton et al., 2025). These dynamics bind most strongly for small startups, technical roles, and non-remote work, and are far less pronounced for larger ventures that can mitigate geographic frictions through scale, visibility, or organizational slack.

From a strategic entrepreneurship perspective, ecosystems therefore function as partial insurance mechanisms rather than simple substitutes for firm-level hiring strategies. Locating in a dense cluster lowers downside risk for workers and improves long-run access to experienced talent, but it does not eliminate early-stage hiring constraints and may exacerbate short-run competition. Outside clusters, startups face thinner labor markets and weaker local learning, but may partially compensate through alternative job design, compensation strategies, or remote work arrangements that relax geographic constraints.

Understanding how ecosystem characteristics interact with firm size, skill requirements, and work organization is essential for explaining variation in startup growth, survival, and the geography of entrepreneurial advantage, and for clarifying when location acts as a complement to firm strategy versus a constraint that firms must actively work around.

The mechanisms discussed above: screening through networks, compensating through job design, and buffering through ecosystems, shape how startups attract talent under scarcity,

but they operate in environments where failure remains common and anticipated. Even well-designed hiring and compensation strategies unfold against the backdrop of high exit risk, which fundamentally alters worker expectations, mobility behavior, and the interpretation of startup experience. We therefore turn next to how failure risk structures labor mobility and career outcomes in startup labor markets.

4 Startups have high failure rates

4.1 Literature and background

High failure rates are a defining feature of innovative entrepreneurial activity. More broadly, what makes *entrepreneurial* mobility distinctive is not simply higher turnover, but the structure of the mobility decision: employees move in environments where firm survival is uncertain, outside options are evaluated continuously, and short spells can be interpreted as learning-intensive experimentation rather than poor fit. As a result, mobility in startup labor markets is often "built in" to expectations and contracting (implicitly or explicitly). Therefore mobility can serve as both a mechanism for capability diffusion and a constraint on firms' incentives to invest in firm-specific human capital. Failure risk is not merely realized ex-post but anticipated ex-ante by both workers and firms, shaping employment contracts, mobility expectations, and investment incentives at the outset. In this section, we focus on the implications of failure risk for non-founder employees, whose mobility, reemployment, and career trajectories differ systematically from those of entrepreneurs and founders. Industries characterized by rapid technological change exhibit substantial firm turnover, with many new entrants failing within a few years and only a small minority surviving long enough to scale (Acs and Audretsch, 1990). Evidence from U.S. data similarly shows that most startups do not persist beyond their early years (Haltiwanger et al., 2013). This failure risk is not idiosyncratic but a predictable characteristic of startup environments.

A long-standing literature in management and organization theory has examined *why*

young firms fail at high rates, emphasizing the liabilities associated with limited institutional linkages and reputational deficits (Baum and Oliver, 1991). For startup labor markets, however, the critical implication is not failure per se but the fact that workers anticipate it. Expected failure risk shapes who applies to startups, how long employees remain, and how labor markets interpret employment spells at ventures that do not survive.

4.1.1 Employee perspective under failure risk

High startup failure rates generate substantial labor mobility, making entry and exit central features of entrepreneurial labor markets. Prior research documents how worker mobility facilitates the diffusion of tacit and organizational knowledge, but also how mobility shapes individual outcomes such as wages, job quality, and career advancement. In failure-prone startup environments, these career consequences are particularly salient.

High rates of turnover imply that talent circulation is an important channel for knowledge diffusion, often with a strong local geographic component (Jaffe et al., 1993). Prior work finds strong path dependence in employer size with talent mobility, consistent with startups functioning as a partially segmented labor market: startup employees disproportionately cycle among small firms rather than transitioning into large organizations (Sorenson et al., 2021). Such behavior may jointly shape the geography of entrepreneurship and innovation.

From a strategy perspective, because mobility can conflict with firms' efforts to appropriate knowledge, the literature has examined legal constraints such as non-compete clauses and trade secret enforcement. These mechanisms limit voluntary turnover and dampen knowledge flows, particularly in regions with strict enforcement (Marx et al., 2009; Contigiani et al., 2018). For workers, such constraints reduce the option value of mobility, altering the attractiveness of startup employment in high-failure environments.

Recent evidence directly examines how startup failure affects worker careers. Botelho and Marx (2025), analyzing millions of U.S. workers, find that non-executive employees who experience a startup employer's failure often fare better in the labor market than comparable

workers who voluntarily leave surviving firms. These individuals subsequently secure higher wages and move into more innovative firms, suggesting that startup failure can function as a positive career shock for non-executive employees. Importantly, these effects are role-specific: founders and top executives face persistent penalties following failure, consistent with role-dependent stigma.

More broadly, the prevalence of startup failure implies that prospective joiners anticipate exit risk when evaluating employment opportunities. Individuals who are more risk-averse or financially constrained may opt out of startup labor markets altogether, while others (particularly those motivated by autonomy and learning) self-select into such environments (Rosen, 1986; Lazear, 2005; Roach and Sauermann, 2024). These sorting patterns suggest that high failure rates shape not only realized mobility but also who enters startup labor markets in the first place.

Observed mobility in startup labor markets aggregates qualitatively different processes, ranging from strategic job changes to forced exits following firm collapse. Future research could profitably distinguish between mobility driven by learning and opportunity versus mobility driven by necessity, as these pathways may generate very different career outcomes despite similar observed transitions.

4.1.2 Venture perspective

From the venture perspective, understanding the labor market consequences of startup failure requires examining how employers interpret failure signals. Experimental and audit evidence shows that entrepreneurial experience can generate short-run hiring penalties, as recruiters often infer poor fit, instability, or reluctance to take direction from founder backgrounds. Audit studies by Kacperczyk and Younkin (2022) and a field experiment by Botelho and Chang (2023) find that former founders receive fewer callbacks than observationally equivalent non-founders. Notably, Botelho and Chang (2023) show that even *successful* founders are penalized more heavily than failed founders, suggesting that employers perceive founders

as risky hires regardless of outcome rather than interpreting failure as a signal of low ability.

In contrast, evidence on longer-run outcomes suggests more positive career trajectories under certain conditions. Amornsiripanitch et al. (2022), using a large resume panel, show that founders of VC-backed startups subsequently move into roles approximately three years more senior than peers with identical pre-founding titles, regardless of whether the venture ultimately succeeded or failed. These findings indicate that entrepreneurial experience can be rewarded in labor markets that value accelerated learning and initiative. Together, these studies point to important boundary conditions in how failure signals are interpreted across contexts and roles.

While founders' experiences have received the most attention, the implications for startup joiners are central to entrepreneurial labor markets. Anticipating failure risk and uncertain post-exit outcomes, employees may hedge risk by maintaining high mobility, resulting in shorter tenure even absent firm collapse. Such behavior can curtail organizational learning and weaken incentives to invest in firm-specific human capital, presenting entrepreneurial managers with persistent challenges in retention, compensation design, and capability development. These dynamics raise classic hold-up problems around investment in firm-specific human capital under anticipated exit.

4.2 Future strategic entrepreneurship research directions

Given the high failure rates that characterize startup environments, a central research question concerns how labor markets interpret associations with failed ventures. Evidence from Botelho and Marx (2025) shows substantial heterogeneity in these interpretations: non-executive employees from failed innovation-driven startups often experience wage and job-quality gains, while founders face persistent stigma. Complementary experimental evidence (Botelho and Chang, 2023) suggests that entrepreneurial experience (successful or failed) can activate concerns about fit and stability among hiring managers. A key research opportunity lies in unpacking the mechanisms underlying these inferences, including whether

failure signals low ability, poor judgment, or the acquisition of valuable generalist skills.

These interpretations are likely contingent on contextual factors such as industry volatility, venture stage at failure, founder or investor pedigree, and worker characteristics. Identifying such boundary conditions would clarify when and for whom startup failure enhances versus hinders subsequent career opportunities, and how entrepreneurs might strategically shape post-failure narratives for joiners.

Mobility constraints and litigation risk represent a second priority for future research. Legal regimes governing non-competes and trade secret enforcement dampen employee mobility and reduce the option value of startup employment in failure-prone environments. These constraints may also shape entrepreneurial strategy, influencing region selection, technology choices, and hiring practices. Examining how legal frictions interact with talent strategy and market entry decisions would deepen understanding of labor market design under failure risk.

A related direction concerns how ecosystem characteristics mediate the consequences of startup failure. In regions where failure is normalized, labor markets appear to recycle talent efficiently, reducing the stigma and frictions associated with short employment spells. Outside such ecosystems, failure may impose greater penalties, leading to geographic displacement or exit from entrepreneurship. Understanding how founders and firms respond to this spatial heterogeneity (through location choices or compensating job design) offers a strategic-geographic perspective on entrepreneurial labor markets.

Another promising research domain examines how firms design HR and organizational systems when failure is not an exception but an expected outcome. In high-hazard environments, startups may adjust compensation, skill development, and retention practices to balance commitment and portability—for example, emphasizing transferable generalist skills or milestone-based rewards. Studying these design choices offers a parallel to entrepreneurial finance research on contracting under uncertainty, but with human capital as the focal asset.

Finally, high failure rates raise questions about how startup employees identify post-failure opportunities and how these expectations shape strategic behavior ex ante. Joiners

who anticipate frequent reentry into the labor market may prioritize firms or ecosystems that offer strong reputational signals or dense matching opportunities. Correspondingly, entrepreneurs may cultivate network ties or reputational assets to position their ventures as valuable stepping-stones, even in the event of failure.

These are increasing opportunities to explore these questions empirically. Matched employer–employee data enable analysis of post-failure mobility and wage trajectories, while job posting and resume data can capture signaling, recruiter perceptions, and regional variation. Experimental methods further allow researchers to identify causal mechanisms underlying labor market inferences and sorting following startup failure.

Taken together, high failure rates render startup labor markets inherently dynamic and reputational. For workers, anticipated failure risk transforms startup employment into a contingent career investment, shaping entry decisions, mobility patterns, and the valuation of startup experience in subsequent labor markets. For firms, failure risk affects not only realized exits but also the ex ante behavior of joiners, complicating retention, human capital accumulation, and the credibility of employment relationships.

A central unresolved question emerging from this section concerns how labor markets translate failure into career signals, and how these signals vary by role and ecosystem. Evidence suggests sharply heterogeneous consequences: while non-executive joiners may benefit from failure through skill acquisition and upward mobility, founders and executives often face persistent stigma. These asymmetries imply that entrepreneurs must strategically manage reputation, mobility expectations, and talent narratives in environments where failure is common and anticipated.

More broadly, high failure rates interact with scarcity and PMF uncertainty to shape the structure of startup labor markets. When exit is likely, both firms and workers place greater weight on portability, option value, and external validation, influencing hiring strategies, compensation design, and organizational structure. We therefore turn next to the broader implications of these intertwined frictions for strategic entrepreneurship research and the

study of enterprise scaling.

5 Discussion

We have argued that startup labor markets constitute a central yet underexplored domain of strategic entrepreneurship, particularly during the transition from founding to scaling. By shifting analytic attention from founders and top management teams to the broader population of startup joiners, we highlight how labor market frictions (shaped by resource scarcity, product-market fit uncertainty, and high failure rates) mediate the transformation of entrepreneurial ideas into organizations. In this concluding discussion, we examine the role of founders in startup labor markets and consider the implications of this perspective for strategic entrepreneurship theory and empirical research.

5.1 The role of founders in startup labor markets

Although our discussion has deliberately shifted attention from founders to joiners and broader labor market processes, founders remain central to entrepreneurial labor markets in an indirect but consequential way. Rather than serving as enduring decision-makers throughout scaling, founders shape the initial conditions under which startup labor markets operate. Through their human capital, social networks, cognitive frames, and identities, founders influence how uncertainty is interpreted, how risk is perceived, and how prospective employees infer organizational quality in the absence of firm-level signals.

First, founders act as substitutes for organizational reputation in resource- and legitimacy-constrained environments. Founder experience, prior entrepreneurial success, and professional pedigree provide early signals of venture quality that prospective joiners rely on when firm-level information is sparse. Founder networks similarly shape early hiring through referral-based matching, simultaneously expanding access to trusted candidates and embedding homophily that influences the composition of applicant pools (Baron et al., 1999). These

mechanisms do not simply affect who joins initially; they create early path dependence in startup labor markets that can persist as ventures scale.

Second, founders frame product-market fit uncertainty for joiners. Before PMF, founders are the primary interpreters of strategic ambiguity, influencing how experimentation, role fluidity, and learning opportunities are communicated and experienced. Founders' cognitive frames and identities shape whether uncertainty is presented as opportunity or instability, affecting joiner sorting into exploratory versus execution-oriented roles. In this way, founders influence labor market outcomes less by resolving uncertainty than by shaping how uncertainty is tolerated and acted upon by employees.

Third, founders condition how failure risk is anticipated and internalized. Founder reputation, prior success, and risk preferences influence employee expectations about venture survival, post-failure mobility, and career consequences. Through norms around exit, knowledge sharing, and failure tolerance, founders shape whether startup employment is perceived as a high-risk gamble or a valuable stepping-stone. These expectations operate ex ante, influencing who is willing to join startups, how long they remain, and how external labor markets evaluate startup experience.

Taken together, founders matter for startup labor markets not necessarily because they directly determine scaling outcomes, but because they influence the signaling environment, uncertainty framing, and mobility expectations that govern joiner behavior. By repositioning founders as designers of labor market conditions rather than focal actors, this perspective reconciles founder-centric insights with a labor market view of entrepreneurial scaling.

5.2 Implications for strategic entrepreneurship theory

Our broader discussion has several implications for how strategic entrepreneurship conceptualizes venture growth, competitive advantage, and the transition from founding to scaling. Much of the existing literature has emphasized founders' characteristics, opportunity recognition, and access to capital as primary determinants of entrepreneurial outcomes. While

these factors are undoubtedly central at entry, our analysis suggests that they are insufficient for explaining how ventures build organizations, develop capabilities, and sustain growth beyond founding. Once ventures move into the scaling phase, labor markets, and the strategic decisions firms make within them, become a primary locus of value creation and constraint. This shift reframes scaling as a repeated process of labor market enrollment under uncertainty, rather than a one-time transition following successful founding.

By spotlighting startup labor markets, we shift the unit of analysis from individuals to organizational processes embedded in external factor markets. Resource and reputational scarcity, product-market fit uncertainty, and high failure rates do not merely describe early-stage conditions; they structure the incentives, expectations, and tradeoffs faced by both firms and workers. Under these conditions, hiring, compensation, job design, development, and mobility are not operational choices but strategic decisions that shape organizational learning, path dependence, and the feasibility of scaling. Competitive advantage in entrepreneurial settings thus increasingly hinges on a firm's ability to design and manage talent systems under uncertainty, rather than solely on superior ideas or founder attributes.

Relative to important literatures on joiners, entrepreneurial teams, and startup organization, our contribution is primarily integrative: we treat startup labor markets as a strategic domain that connects entry and sorting, incentives and job design, development and learning, and mobility and market shaping across the venture lifecycle. This integration helps explain why scaling outcomes depend not only on founding conditions, but on repeated labor market enrollments under evolving uncertainty and constraints.

This perspective also reframes the role of uncertainty in strategic entrepreneurship. Rather than treating uncertainty as an exogenous background condition that founders must resolve, our framework highlights how uncertainty is mediated through labor markets. Firms and workers make intertemporal commitments under incomplete information, balancing flexibility against investment in firm-specific human capital. As a result, scaling outcomes emerge not only from successful opportunity exploitation but from the alignment (or misalignment)

between labor market strategies and the evolving resolution of uncertainty.

Finally, this view positions startup labor markets as a strategic domain analogous to entrepreneurial finance. Just as prior research has shown how capital constraints and investor contracts shape venture trajectories, our analysis suggests that labor market frictions systematically influence who joins startups, how long they stay, how capabilities develop, and how failure is absorbed or amplified. Integrating startup labor markets into strategic entrepreneurship theory reframes how the field explains scaling, capability development, and competitive advantage.

5.3 Implications for empirical research

Our framework also has implications for how entrepreneurship scholars design empirical studies of venture growth and performance. Much of the existing empirical literature relies on founder-level characteristics or firm-level outcomes measured at coarse intervals, implicitly assuming that labor adjusts smoothly once ventures are founded. By contrast, a labor market perspective highlights the need to observe who joins startups, when they join, how long they remain, and how their careers evolve as uncertainty resolves or failure occurs (Burton et al., 2016). Capturing these dynamics requires moving beyond static models toward designs that account for selection, timing, and mobility.

First, our analysis underscores the importance of employee-level data. Because startup labor markets operate through sorting and self-selection, firm-level averages obscure critical heterogeneity in who joins, who exits, and who accumulates firm-specific versus portable skills. Matched employer–employee data, resume panels, and linked administrative records are particularly valuable for tracing entry, promotion, turnover, and post-exit outcomes. Such data allow researchers to distinguish between screening and sorting mechanisms, to examine role-dependent effects, and to assess how early labor decisions shape longer-run organizational capability.

Second, timing is central. Labor market strategies and outcomes differ markedly before

and after key milestones such as product–market fit or venture failure. Empirical designs that treat startups as homogeneous across their lifecycle risk conflating exploratory and exploitative phases. Identifying transitions (such as shifts in hiring composition, promotion patterns, or compensation structures) enables more precise tests of how uncertainty conditions labor market behavior. Event-based approaches and designs exploiting within-firm changes over time are therefore particularly well suited to this research agenda.

Third, a labor market perspective elevates mobility as both an outcome and a mechanism. Employee exits are not merely indicators of organizational weakness; they are integral to how knowledge is reallocated, how careers advance, and how failure is absorbed. Empirical work should therefore model mobility explicitly, examining how external labor markets evaluate startup experience and how anticipated exit shapes behavior ex ante. This includes attention to role heterogeneity, legal and institutional constraints, and ecosystem-level differences that condition the returns to startup employment.

Finally, our framework suggests the value of combining observational data with experimental and survey-based methods. Because many labor market frictions operate through beliefs, expectations, and inference, designs that directly elicit worker and employer perceptions can complement administrative data. Together, these approaches can illuminate how uncertainty is interpreted, how signals are formed, and how labor market strategies interact with organizational outcomes.

Taken together, these implications call for an empirical reorientation in strategic entrepreneurship research. Rather than treating labor as a background input, future work should model startup labor markets as dynamic systems in which selection, commitment, and mobility jointly shape the process of enterprise scaling.

5.4 Conclusion

Entrepreneurship research has long centered on who starts firms, how opportunities are recognized, and how capital is secured at entry. This editorial argues that understanding how

ventures scale requires shifting analytic attention beyond founding toward the labor markets in which startups operate. Joiners and the conditions under which they are attracted, developed, and retained, are central to translating entrepreneurial ideas into durable organizations.

By conceptualizing startup labor markets as a strategic domain, we show how three pervasive features of entrepreneurial environments: resource and reputational scarcity, product-market fit uncertainty, and high failure rates, systematically shape labor market frictions and strategic tradeoffs. Across these contexts, hiring, compensation, job design, development, and mobility emerge not as peripheral human resource concerns, but as intertemporal strategic decisions that influence learning, path dependence, and competitive advantage. Founders remain important, not as sole drivers of outcomes, but as orchestrators of the labor market conditions that joiners encounter.

This perspective has implications for both theory and evidence. Theoretically, it reorients strategic entrepreneurship toward organizational processes and factor-market interactions that govern scaling. Empirically, it calls for greater attention to employee-level dynamics, timing, and mobility, and for research designs that model selection and uncertainty explicitly. Taken together, these shifts move the field beyond founder-centric explanations toward a richer understanding of how ventures grow, adapt, and sometimes fail.

Our hope is that this discussion encourages researchers to treat startup labor markets not as background context, but as a core object of inquiry in strategic entrepreneurship. Doing so promises deeper insight into the mechanisms through which entrepreneurial ventures build capabilities, absorb uncertainty, and shape the careers and mobility of those who join them.

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Table 1: Defining features of startups give rise to distinct labor market frictions, each associated with a corresponding strategic lever during the scaling process.

Startup feature	**Core labor market friction**	**Primary strategic lever**
Product-market fit uncertainty	Ambiguous and shifting task requirements create role fluidity and noisy labor market signals, complicating hiring, coordination, and internal development during early scaling.	Hiring and role design that balances flexibility and commitment: sequence generalist vs. specialist hiring, stage hiring as uncertainty resolves, and design roles/processes that support experimentation and learning during uncertainty.
Resource and reputational scarcity	Difficulty attracting and screening early employees when firm quality is hard to infer; limited ability to compete on cash wages and credible employer branding.	Compensation structure and recruiting channels: calibrate cash-equity mix, use non-pecuniary rewards (learning, autonomy, mission), and leverage networks/affiliations to signal quality.
High failure risk	Elevated career risk increases employees' emphasis on outside options and mobility, shortening expected tenure and weakening incentives to invest in firm-specific human capital.	Mobility and retention strategy: use vesting/milestones, build portable skill development, and position within ecosystems (thick labor markets) that support attraction and reemployment.