The Capital Value of a Team and Depreciation on Organisational Capital

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Paper Abstract: Already in 1980, Prescott and Visscher noted that organizational capital is related to the fact that people in the production units are working as a team. Since then, a number of authors have emphasized that the team value represents a dominant part of organisational capital. If such a team value exists, it is related to the employees who form the team. This paper assumes that a loss in the team value of a production unit will occur if members of the team are leaving it. Hence, we calculate unit specific quit rates that can be taken as proxies for the depreciation rate of the team value. In the simplest model, the quit rate is calculated as number of employees leaving the unit related to the stock of employees in the unit. In more demanding models we use wage weighted quit rates.