Information Asymmetry in Job Search

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Abstract

Do incorrect beliefs about wage distributions affect workers' employment and earnings? We test this hypothesis in a field experiment with 1100 senior-year undergraduate students in the graduating Class of 2023 at the University of California, Berkeley. Partnering with the Career Center, we present personalized information graphics on school-and-major-specific salary distributions to students in the treatment group. We find novel evidence that even prior to labor market entry, errors exist in wage beliefs – some students overestimate the available distribution, while others underestimate the available distribution. Post-treatment, we find that students in treatment correct their beliefs. Students who originally underestimated the wage distribution increase their intended search wage, while students who originally overestimated decrease their intended search wage. At the end of the school year, we find that in comparison to the control group, students who increased their intended search wage after treatment had higher total and base salaries conditional on employment. However, these same students had a lower likelihood of being employed by June post-graduation. An opposite but symmetric effect occurred for students who decreased their intended search wage. Our results are consistent with job search models where workers with more optimistic expectations wait longer to accept a job, but accept higher wages. We show that an extension to this model with subjective beliefs leads to higher wage dispersion, which is consistent with our data. Our paper suggests a stronger role for information mechanisms than previously believed and shows the effectiveness of a light-touch information intervention on employment and earnings.

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