

Pushing the Envelope: Effects of Salary Negotiations

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Abstract

What role does negotiation play in the job market? In a panel of about 3,000 professionals seeking job offers, we study negotiation behavior and its impact on employment terms. We conducted two field experiments: one where we provided information to encourage negotiation, and another where we subsidized tailored negotiation coaching. Our evidence points to significant information frictions in job negotiations. We present a model of wage negotiation based on our empirical findings, and use it to discuss the equilibrium implications of policies addressing pay disparities.