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Evidence on the Relationship between Recruiting and the Starting Wage

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Evidence on the Relationship between Recruiting and the Starting Wage

November 2016

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Abstract

Using data from the Employment Opportunity Pilot Project, we examine the relationship between the starting wage paid to the worker filling a vacancy, the number of applications attracted by the vacancy, the number of candidates interviewed for the vacancy, and the duration of the vacancy. We find that the wage is positively related to the duration of a vacancy and negatively related to the number of applications and interviews per week. We show that these surprising findings are consistent with a view of the labor market in which firms post wages and workers direct their search based on these wages if workers and jobs are heterogeneous and the interaction between worker's type and job's type in production satisfies some rather natural assumptions.

Keywords: wage posting, employer recruiting, hiring, vacancies, directed search
JEL Codes: D21, J30, J60

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