

# Information Frictions in the Labor Market: Evidence from a Field Experiment in Uganda\*

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## Abstract

We study information frictions on the skills of workers during the hiring process in firms. By designing and evaluating a matching and signalling intervention between small firms and young workers in the Ugandan labor market, we provide evidence on the magnitude of these frictions, and quantify the gains to *both* employers and workers from increased information on skills at recruitment. We document substantial heterogeneity in the ability of firm owners to screen workers, and to react to the signalling intervention. In our Control group of matches, where no new information is revealed, firm owners of higher cognitive ability are more likely to hire workers with higher skills. In addition, high ability owners react to the information revelation by increasing hires among matched workers with a *lower* level of the skills being signalled. On the contrary, firm owners of lower ability do not screen workers along the skills we measure, and do not react to the new information. Our final set of results show that the intervention has persistent effects, and also impacts the outside options of workers, thus facilitating the reallocation of labor across jobs in the economy. These findings are rationalized through a screening model with symmetric information between heterogeneous firms and workers, in which *both* sides of the market are allowed to react to the information revelation on skills.

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