

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

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Abstract

We study how lack of information on the skills of workers affects both employers and job seekers. We schedule 1200 job interviews between young labor market entrants and small firms in Uganda, and experimentally vary whether certificates on the workers' *soft skills* are disclosed to both sides of the market during the job interview process. We collect information on the outcome of each job interview, and track the workers for two years. We show that the certificates impact beliefs on both sides of the market: a subset of managers revise upwards their assessment of the skills of workers, while workers increase their labor market expectations, such as expected earnings and perceived bargaining power. We show that the updating of workers is driven by a reduction in the perceived difficulty to signal skills in the market, rather than by workers learning about their skills or about the returns to skills. The two-sided reaction to the certificates does not result in long-lasting impacts on employment probability or hours worked, yet workers with a certificate earn 10% more while employed in the two years after the intervention. We conclude that verifiable information on soft skills has important implications for rent-sharing and worker welfare in the labor market.

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