Beliefs, Reputation, and Barriers to Entry in Online Labor Markets[*]

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Abstract

Hundreds of millions of workers in developing countries seek digital jobs online but face entry barriers without an established reputation. Novice workers could offset this by lowering initial wages, yet few do. Our baseline survey points to two explanations: workers believe employers interpret low wages as low quality signals and are uncertain about their own abilities. We conduct two field experiments on a leading global freelancing platform to examine how these beliefs shape worker outcomes. In the demand-side experiment, we randomize wage offers by novice workers to 703 jobs and find that workers misperceive employer behavior: low wage offers significantly improve their hiring prospects. In the supply-side experiment with 481 novice workers, we randomly provide them with accurate information about employer responses and their performance. Correcting workers' beliefs increases their willingness to lower wages. Consistent with reputation models, effects are driven by high-ability novices with high returns to reputation once these frictions are removed. Simulations show that without external intervention, worker learning about employer responses and their abilities is slow and costly. Our findings highlight that information interventions can help workers in developing countries overcome reputation barriers and accelerate talent discovery in online labor markets.