

Bargaining and Inequality in the Labor Market

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Abstract

We use novel, linked survey-administrative data to study worker-firm wage bargaining. We introduce and validate a survey measure of firms' bargaining strategies. Using elicited strategies for 772 German firms, we compare posting and bargaining firms, and find market factors predict firm strategies better than firm characteristics. Most bargaining events begin with workers providing their salary expectations; most outside offers are rejected. Workers who provide their expectations are more likely to ask for (and receive) more, and to renegotiate after a spell begins. Some of the heterogeneity in bargaining behavior is reflected in firm-invariant differences in worker pay ("person effects").

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