

Firm Wages and Worker Search*

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Abstract

This paper uses linked survey-administrative data to describe workers' beliefs about firm wages, and to examine the implications of these beliefs for their search behavior. We document that workers do not believe they face a uniform outside option, and that they direct their search to firms they believe would pay them higher wages. Workers' expected firm-specific wage premia are correlated with firms' observed pay policies and with workers' valuations of firm-specific amenities. Most workers are unwilling to search for a new job—or leave their firm—even for substantial increases in pay. Attachment varies across firms, and cannot be explained by simple switching costs.

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